

**The Treatment of the
Private Sector
in African PRSPs and
APRs**

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Executive Summary

The Treatment of the Private Sector in African PRSPs and APRs

How has the private sector been treated in the formulation, implementation and strategy articulated in Poverty Reduction Strategy Papers (PRSPs) and PRSP Annual Progress Reports (APRs) endorsed by the World Bank and IMF for countries in sub-Saharan Africa? The purpose of this study is to answer that question, and to determine whether the PRSP process to date has taken “adequate account of the role of the for-profit private sector in reducing poverty.”

The study reviews the 21 PRSPs approved by the Boards of the IBRD and IMF prepared by African countries, and the PRSP Annual Progress Reports prepared by 13 of those countries. It is based on a review of those documents and other written material relevant to the investigation, examining them for content with regard to the participation of the private sector in development and implementation of the strategy, as well as the intended role of the private sector in achieving poverty reduction.

Ten metrics were used to test the extent to which the treatment of the private sector was consistent with best practice, as articulated in World Bank documents and other recent literature on development strategy. Five main conclusions emerge:

1. Slightly more than half of the PRSPs do take the private sector into account in their development, implementation and strategic conception. In the majority of countries studied, the private sector participated in the PRSP process. In nearly all of the countries, the PRSP treated the private sector as a key actor in achieving poverty reduction over the long term, at least at the rhetorical level.
2. In countries with deficient treatment of the private sector, two types of problems emerged. First, some PRSPs saw the private sector as an adjunct of government policy, with governmental directives guiding the development of the private sector. Second, some PRSPs saw subsidization of the private sector, or particular industries within it, as a key tool for poverty reduction. In either case, the resulting strategy is not consistent with either the historical record on the contribution of the private sector to poverty reduction or World Bank advice.
3. The most serious weakness in those PRSPs that claimed to encourage the private sector as a tool in poverty reduction was the lack of concrete benchmarks or progress indicators for commitments with respect to the private sector. Only seven PRSPs met modest standards in this area. At the same time, the World Bank’s new dataset on business conditions is an important new tool for remedying this problem. Data from this new tool is not included in any of the PRSPs, but it has great potential to be used, along with other measures, to provide clearer

progress indicators. Four recent APRs, however, have used this database to measure progress in private-sector related variables.

4. Some Joint Staff Assessments gave inadequate attention to weaknesses of PRSPs with respect to the private sector. The main cases in this regard were Burkina Faso, Malawi, Niger, and Senegal. In each case, the PRSP gave inadequate attention to the need for a dynamic private sector, and the JSA did not identify this weakness clearly.
5. The review of APRs suggests that some modest progress is being made in identifying ways in which the private sector can be a more powerful engine for growth and poverty reduction.

The Treatment of the Private Sector in African PRSPs and APRs

This study reviews the role of the private sector in the formulation, implementation and strategy articulated in Poverty Reduction Strategy Papers (PRSPs) and in Annual Progress Reports (APRs) endorsed by the World Bank and IMF for countries in sub-Saharan Africa. The purpose of the study is to identify any weaknesses in the treatment and participation of the private sector in PRSPs and in Annual Progress Reports, and to suggest appropriate actions for those cases where the treatment might be improved.

This study reviews the 21 PRSPs approved by the Boards of the IBRD and IMF from countries in Africa, and the 13 Annual Progress Reports (APRs) submitted during the implementation of the PRS, or Poverty Reduction Strategy. It is based entirely on a review of those documents and other written material relevant to the investigation. The PRSPs were examined for content with regard to the participation of the private sector in development and implementation of the strategy, as well as the intended role of the private sector in achieving poverty reduction. The Joint Staff Assessments (JSAs) prepared by the staffs of the World Bank and International Monetary Fund for the reviews of the PRSPs by the executive boards of the two institutions were also reviewed.

The paper is organized as follows. The introduction identifies the historical background that has given rise to the inquiry. Section I addresses the extent of private sector participation in the drafting and the implementation of the PRSP, according to the documents themselves. Section II identifies ten metrics, based on the theoretical and empirical literature, to be used in assessing the role envisioned for the private sector in the individual PRSPs. Section III uses these metrics to analyze the 21 PRSPs with respect to the private sector role in the strategy, using the standards developed in the previous section. Section IV provides an overall judgment on the adequacy of treatment of the private sector in the PRSP. Section V addresses weaknesses in the JSAs by the IBRD/IMF staff in reviewing the private-sector content of the PRSPs. Section VI comments on the reviews carried out by the World Bank and IMF of the PRSP process. Section VII discusses the treatment of the private sector in the 13 APRs reviewed, and Section VIII draws conclusions.

Introduction

Over the last several years the World Bank and International Monetary Fund have supported the preparation of Poverty Reduction Strategy Papers (PRSPs) by developing countries. The PRSP initially emerged as a requirement for poor countries seeking debt relief under the Heavily Indebted Poor Countries (HIPC) initiative. As reported in World Bank (2003b), the HIPC initiative was strongly influenced by non-governmental organizations (NGOs) concerned with poverty. The original purpose of the report was to assure that such countries would allocate a substantial portion of resources made

available by debt relief to increase government spending on poverty-related activities in education and health. The World Bank developed a different, and more broad-based strategic concept, the Comprehensive Development Framework (CDF), for other countries receiving assistance from the World Bank and IDA.

Both the CDF and the PRSP were documents that were to be “country-owned,” drawing on extensive discussion among the diverse strands of opinion and interest in the developing country, bringing government together with the very diverse elements of civil society and the private sector throughout the country. Since the HIPC initiative focused on assuring additional resource flows for health and education, it was understandable that non-governmental organizations (NGOs) and other elements of civil society particularly interested in these sectors would be major participants in the discussions of strategies and action programs under HIPC. World Bank (2003b) concludes from its review of the HIPC initiative that this focus on social sector expenditure was excessive, and that (p. xvii) “there needs to be a greater focus on pro-poor growth to provide a better balance among development priorities relative to the current emphasis on social expenditures.”

For a variety of reasons (including the fact that it is impossible to be simultaneously comprehensive and strategic), the CDF never gained traction as an organizing principle for aid strategy. The PRSP did. It more clearly addressed issues being raised by NGOs concerned about poverty, those supportive of democracy, of governmental decentralization, of women’s issues, together with those opposed to “structural adjustment” or to market capitalism, or privatization, or any of a variety of orthodox ideas about development. In sum, the PRSP became the concept around which a wide variety of actors skeptical of the traditional macroeconomic focus of the World Bank and IMF could rally, and around which they could mobilize popular support for changes in government policies.

The groundswell of support from the poor (or at least from their spokespeople) convinced the leadership of the World Bank and IMF that the PRSP’s popularity and apparent success with the HIPC countries made it the proper tool for development policy in all countries receiving concessional funding from the World Bank and IMF. Accordingly, preparation of a PRSP became *de rigueur* for all countries receiving funding from IDA, the World Bank’s soft-loan window, or from the IMF’s Poverty Reduction and Growth Facility. Moreover, future World Bank country assistance strategies in each IDA-eligible country would be based on the country’s PRSP.

Thus, an admirable tool for assuring that debt relief would be used to benefit the poor, with substantial input from NGOs, has morphed into the principal development strategy paper for poor countries. Given the history of the approach, it would be surprising if PRSPs did not show some imbalance as a development strategy tool. From its history and from its title, one might expect the PRSP to be a document influenced to a great extent by people with a limited perspective on the overall development problems faced by poor countries. The problem of the poor in poor countries is an important problem, but it is not *the* development problem of the country.

I. The Participatory Process in PRSP Preparation

In the great majority of cases, the private sector was active in the discussions and consultations that led to the drafting of the PRSP. Table 1 provides a summary of what can be learned in this regard from a review of the African PRSPs. In 18 of the 21 cases, the private sector is specifically identified as having been consulted in the preparation of the PRSP. In 11 countries, the private sector is specifically identified as participating on planning committees or teams involved in the preparation of the PRSP. And in 8 countries, the private sector is identified as a participant in future monitoring and evaluation of progress under the PRSP.

The data in Table 1 are likely to understate the participation of the private sector, for some PRSPs simply do not include sufficient information. This is particularly true of early PRSPs, such as that from Uganda. Early PRSPs contained considerably less documentation of the participatory process used to develop the PRSP than do later documents. They were also shorter: the Uganda PRSP was barely 30 pages, while most recent PRSPs run to 200 or 300 pages, including annexes. In recent PRSPs, documentation of the participatory process has become a standard section of the report. The World Bank staff also appears to have encouraged governments to include the private sector in the process, and PRSPs in general appear to have been more inclusive than Interim PRSPs.

Table 1 can give only a first, very crude, approximation of private sector involvement. For example, the term “civil society” may or may not refer to private sector participants as well as to NGOs and other types of non-governmental actors. The PRSP document cannot provide much clarity on the extent, degree and level of private sector involvement in the process. Only country-level knowledge can provide this. Moreover, it must be understood that the “private sector” is not a single entity, but a collection of very diverse interests. Some of these interests have benefited in the past from preferential government treatment. Others only hope for a “level playing field” where efficiency and productivity will win out over privilege and special interests.

Nevertheless, there were a number of cases, including Malawi¹ and Niger, where private sector involvement appears to have been limited or peripheral. In such cases, the tone of the document suggests that it is the government, rather than the PRSP process, that is the culprit. In such cases, the document suggests a view of the private sector as

¹ Malawi illustrates why a checklist like that of Table 1 can give a very incomplete representation of private-sector involvement. The Malawi PRSP includes a list of some 173 organizations that participated in the PRSP, and shows the makeup of some 20 working groups, an oversight committee and a drafting committee. Although 18 organizations are listed as “private sector,” least five of these (and perhaps more) are parastatal government entities. No private sector organizations were shown as members of the oversight or drafting committees. Private sector members are not included in such obvious working groups as those for industry (made up of 6 government members), infrastructure (made up of 15 government members, 2 donors and 1 civil society organization), and governance (7 government, 1 donor, 4 civil society, 1 unidentifiable). This suggests that the private sector was “included” in the deliberations, but that it was not really a participant.

subsidiary to, or responsible for following the lead of, government institutions and policymakers.

The question of the adequacy of private-sector participation in PRSP development raises the broader question of who should participate. Who are the best spokespersons for society to help map a future for the country that best represents the aspirations of the society? The answer chosen by the developed democracies is that the legislature should be the voice of the people, representing the public interest in the face of a government executive with a natural tendency toward executive control, a close relative of autocracy.

Two studies (Bwalya, et al. 2003 and Piron and Evans 2004) have examined the participatory aspects of PRSPs. Both see the view by the executive branch of the government as critical to the participatory process in the development of the PRS. Both studies, as well as the World Bank and IMF assessments discussed in Section VI, raise the question of how the public's beliefs should be incorporated into the PRSP process. How should the voice of the people, filtered through NGOs interested in health and education in one country, and through private-sector associations in another, be represented in PRSPs? Both studies note some common features in the countries they studied – three African cases (Malawi, Uganda and Zambia) and three countries in other regions – that question the representativeness of the PRSP process.

In the developed democracies, the legislative branch of government is seen as the vehicle for integrating the wishes of the broad society with their intensity into a social welfare calculus. In these countries, the legislature is expected to represent the views of the private sector as well as those of other parts of civil society, and to interpret the will of the people. Those with vested interests, or NGOs with the public interests in mind, or academic economists, or workers or consumer groups can all appeal to the legislator. If the legislator depends upon popular vote for continuance in office – not a universal feature – the legislator will be very sensitive to the people, attempting to integrate desires with intensity of desire along the entire spectrum of public policy. If legislatures are responsible for determining by tax policy the level of resource flow to the public sector, and for allocating the available resources among alternative uses, are not they the proper integrators of the public will?

The two papers cited both identify the exclusion (or the limited participation of) the country's legislature as a serious weakness in the PRSP preparation process. In an important sense, this seems to create a parallel structure for national decision-making, where the World Bank and IMF, rather than an elected body within the society, judge the adequacy of participation in developing the national poverty-reduction strategy.

The IMF assessment of the PRSP process (discussed in detail in Section VI) draws out some of the subtleties underlying this approach (p. 39): "...there is a tension between the principle that PRSPs should be country-driven, and the externally-imposed requirement for 'broad-based participation,' which must be associated with an underlying – but unexpressed – judgment that existing political processes in the recipient countries are inadequate in some sense."

Table 1

**PRIVATE SECTOR PARTICIPATION
IDENTIFIED IN AFRICA PRSP DOCUMENTS**

Country	Private sector consulted in PRSP formulation	Planning committees, teams include private sector representatives	Private sector involved in monitoring, evaluation
Benin	X		X
Burkina Faso	X		
Cameroon	X	X	X
Chad	X	X	X
Djibouti	X	X	
Ethiopia	X		
The Gambia	X	X	X
Ghana	X	X	X
Guinea	X	X	
Kenya	X	X	
Malawi	X	X	
Mali			X
Madagascar	X	X	X
Mauritania	X		
Mozambique	X	X	
Niger	X		
Rwanda	X		
Senegal	X	X	
Tanzania	X		
Uganda			
Zambia			X
Total	18	11	8

Note: The cases marked with an X are those where the PRSP documents the participation of the private sector. A blank may be the result of either lack of private-sector involvement or failure to specifically document it in the PRSP. Early PRSPs gave less detail about the participatory process than later ones.

II. How Should the Private Sector Be Treated in PRSPs?

How Much Do We Know?

What can be said with certainty about the appropriate role for the private sector in poverty strategies in developing countries? Despite the massive literature on economic development and poverty reduction, there is no easy answer to this question. Economic theory has much to offer, but few prescriptions provide easy rules for economic policymakers to follow, as Fox (1997) has shown.

Two reasons might be given for this. First, human motivations, circumstances and institutions are extremely varied. People can be motivated to ignore their own economic interests in pursuit of other goals, whether nationalistic, religious or altruistic. Dostoevsky's *Notes from the Underground* is a novelistic proof of the contention that modeling of human behavior is impossible in principle.

Second, at the current level of economic knowledge and capacity for measurement, economic models are unable to provide sure guides to economic policy. The tools and measurements are simply too primitive. Two cases might be mentioned.

First, consider the recent debate between Dani Rodrik on one side, and Jeff Sachs and most economists on the other, about the value of open trading systems for economic growth. There is an enormous literature, spanning several decades, that links trade liberalization with faster and more sustainable economic growth. Rodrik has been able to show that most of the empirical studies showing a strong link between trade and openness have methodological weaknesses that render their findings suspect. Among other issues, Rodrik shows that the direction of causality between economic growth and free trade is ambiguous. Rodrik does not claim that raising obstacles to free trade might be a superior strategy, but only that the case for free trade is not proven.

An even more recent attack on conventional wisdom has been made by Easterly (2003), and Easterly, Levine and Roodman (2004). These two articles raise fundamental doubts about whether foreign aid can be shown to increase economic growth in developing countries. This view has been strongly contested by Clemens, Radelet and Bhavnani (2004). They argue that a more careful specification of both what types of aid can be expected to influence economic growth and the time period over which results should be judged, would produce a very favorable judgment of the value of foreign aid on economic growth.

A second case is Glewwe's (2002) review of the extensive literature on schooling and skills in developing countries. He convincingly argues that almost all of this vast literature is of no value because of technical problems, such as selection bias. He concludes that almost nothing about education in developing countries is known with certainty: e.g., whether smaller classes lead to more learning, whether textbooks improve outcomes, whether more teacher training increases learning, or whether additional aids

like blackboards add value. An education policymaker wishing to have certainty before deciding how to allocate government spending would be helpless. Nevertheless, any practical educator knows with considerable confidence how to allocate resources, and can feel quite sure that education makes a valuable contribution to economic and social development. (This is not a certain guide, as it was obvious to any thinking observer for millennia that the sun revolved around the earth. It was only the arrival of new theories, based on esoteric knowledge derived from new technology, which proved the “obvious” to be erroneous.)

The above observations should make clear that humility is in order in identification of the proper role of the private sector in poverty reduction. In the current state of knowledge, there can be no claim of certainty. Rather, one can only claim to represent “best practice,” or the consensus of expert opinion at present. The old joke about economics continues to be true: the questions remain the same, but the answers keep changing.

This analysis of the link between the private sector and poverty draws most heavily on six sources, which might be claimed to represent the mainstream of current expert thinking within the development community:

- the World Bank’s on-line *Poverty Reduction Strategy Paper Sourcebook* (<http://www.worldbank.org/poverty/strategies/sourcons.htm>), particularly the chapters on macroeconomic policy, trade policy, and private sector.
- The World Bank’s *Private Sector Development Strategy*, 2002.
- the book, *The Private Sector in Development: Entrepreneurship, and Competitive Disciplines*, by Michael Klein and Bitá Hadjimichael, also published by the World Bank, 2003.
- The Boston Institute for Developing Economies (BIDE) studies on pro-poor economic growth research for USAID, 2002. (cited below as BIDE)
- “Halving Global Poverty” by Timothy Besley and Robin Burgess, in the *Journal of Economic Perspectives*, Summer 2003.
- The books, *Doing Business in 2004*, and its 2005 edition, published by the World Bank

How Should PRSPs treat the Private Sector?

With the above limits in mind, this section identifies ten criteria by which PRSPs might be judged with regard to their private-sector content. For each criterion, the consensus in the economic literature, based mainly on the studies cited above, is discussed.

1. *Economic Growth is critical to poverty reduction*

The six sources are unanimous on the proposition that economic growth is critical to poverty reduction. (Indeed, this is inherent in the measurement system. If poverty is

measured in terms of money income, it is only increases in money income that will lower the number of people living with incomes below any threshold.)

In principle, the literature recognizes that income redistribution is an alternative vehicle for poverty reduction. For a given level of per capita income, a country with a more equal income distribution will have lower poverty. Besley and Burgess (2003) conclude from cross-sectional analysis of developing countries that a one standard deviation reduction in the inequality of a country's income distribution is associated with a reduction in absolute poverty (i.e., the percent with incomes below \$1/day) by about two-thirds. As discussed below, they also find that strengthening of property rights has a major positive impact on poverty. This clearly creates a conundrum. Asset redistribution to the poor reduces poverty, but the interference with property rights increases it. One possible resolution of this conundrum would be to distinguish between redistributions overseen by a disinterested authority (e.g., the U.S. government in postwar Japan) or through dispossession of exploiting foreigners (e.g., Taiwan and South Korea), with those carried out by an interested government – where old elites are dispossessed in favor of new, politically dominant, elites, rather than the poor.

At the empirical level, Fields' (2001) survey of the experience of developing countries finds that income distribution is remarkably stable in most countries over time, despite large differences in policies with regard to redistribution. Significant changes in income distribution appear to occur only slowly over decades. A number of explanations for this phenomenon can be offered. Economists tend to focus on productivity as the determinant. Political scientists tend to argue that redistributionist politics tends to fail because, while articulation of such intentions are politically valuable, they are seldom implemented because the governing elites do not find it in their interest.

In general, developed countries have more equal income distributions than developing countries. The greater equality of access to education is often cited as an explanation. If so, the development community's efforts to promote universal education may pay dividends in the future. Nevertheless, such processes are slow. Education, particularly at the primary level, has a long gestation period, meaning that there is a long lag between the input and the benefit derived from it. Typically, ten to fifteen years elapse between the beginning of education and the higher productivity in the workplace that it makes possible.

2. *Market forces, not government subsidies, are needed for the private sector to play its poverty-alleviating role.*

The literature is unambiguous that the key feature of the private sector's developmental role arises from the free play of market forces. Economists see market forces as superior to government planning in identifying future directions for a country's economy. The literature suggests that government should play a subsidiary role, providing a favorable climate for private investment, but not attempting to direct such investment into particular sectors or activities.

At the same time, governments are often characterized as “pro-business” or “anti-business” on the basis of their willingness to offer monopoly power to the major existing business interests. The last several decades of development experience have shown that the Schumpeterian view of the world – that progress results from innovation – is the correct one. And only in business environments where there is easy entry into business, and the capacity of new firms to compete with established interests, will there be progress.

3. *Private-sector dynamism is essential for sustainable poverty reduction.*

The importance of the private sector for economic growth and poverty reduction – though not provable in the terms discussed above – is obvious to any student of economic progress over the last century. Numerous experiments have been tried with control by government, or by various forms of collective or cooperative ownership, of the means of production. All have failed to deliver in a sustained way as well as a market economy with a large and vibrant private sector. All countries with low levels of poverty in today’s world fit that description. Consequently, government support for an environment where economic growth is rapid and where the private sector is free to invest and innovate without heavy government control is most promising.

4. *Open trade policies promote growth and reduce poverty.*

As discussed above, economic science cannot prove that an open trade regime is the best policy for economic growth and for poverty reduction. Nevertheless, as Dollar and Kraay (2001) have shown, it is the way to bet. Most countries with closed trade regimes during the last two decades have fared poorly in regard to economic growth and poverty reduction. Countries that have liberalized trade have done better in both regards.

The World Bank’s *PRSP Sourcebook* makes a strong and careful case for trade liberalization as a tool for poverty reduction. The other main sources support trade liberalization in a more cursory fashion. The *Sourcebook* also makes a strong case against regional trade agreements among poor countries, strongly suggesting that they are likely to be welfare-reducing. Fox (2003) provides additional support for this view by noting that regional free trade arrangements among poor countries have typically been transitory, with individual members able to ignore commitments with impunity, and with political instability in the region leading to eventual failure of the arrangement.

While the *Sourcebook* is unambiguous on this issue, the economic literature, and particularly the political economy considerations offer some conflicting perspectives. Harrison, et al. (2003), in particular provides an alternative perspective that suggests greater benefits from regional trade arrangements among developing countries.

The *Sourcebook*, along with BIDE, also supports use of export processing zones (EPZs) and duty drawbacks for exports as useful tools for trade promotion. For the

former, the manner in which EPZs are promoted is seen as important, with private-sector leadership in selecting and managing zones critical to their success.

5. *A good legal, regulatory and judicial system is key to the private sector's capacity to reduce poverty.*

The literature is strongly supportive of an important role for the legal, regulatory and judicial (LRJ) environment. The central proposition is that neither domestic nor foreign firms will be willing to invest without a reasonable expectation that the investment will not become valueless because of capricious action by government or powerful vested interests.

Besley and Burgess (2003) offer a particularly interesting analysis of the international evidence on the protection of property. They conclude that an improvement in a country's LRJ environment by half of one standard deviation would reduce poverty by half. They also report that the cross-section evidence suggests that a one standard deviation improvement in a country's income distribution would reduce poverty by two-thirds. In other words, protection of property rights is 33 percent more powerful as a tool for poverty reduction as attenuation of property rights by income redistribution.

One of the lessons of the transition from communism in the Soviet bloc is that LRJ institutions matter enormously. Without rules and procedures that level opportunity, cronyism between government and favored individuals and groups will interfere with the development of a market economy and with poverty reduction.

6. *Concrete Benchmarks and Time-Bound Progress Indicators Are Needed to Demonstrate Serious Governmental Commitment*

This is an issue well beyond economics. Intuitively, it seems clear that commitments that are concrete are more likely to be achieved than vague ones. Similarly, commitments that are time-bound are more promising than indefinite ones.

7. *Private sector provision of infrastructure offers important efficiency opportunities, and should be considered*

The literature suggests that private provision of infrastructure services is generally more promising than provision by government. The terms under which privatization occurs appear to be of great importance, and the specific characteristics of the technology at work in a specific sector are also important.

8. *Opportunities for private-sector provision of social services also offer potential efficiency, and should be examined.*

As noted in the previous section, governments provide key social services. Nevertheless, for a variety of reasons, elaborated in Wilson (1989), governments will

tend to establish relatively rigid approaches, will innovate less than the private sector, and will tend to continue to carry on activities long after their usefulness has ended. The pressures of competition in the long run tend to cure such problems, but governments seldom are able to implement such tests. In view of these potential advantages, the use of private sector agents – even where government chooses the activities to be undertaken – should not be ignored as a possible vehicle for social service delivery.

Klein and Hadjimichael (2003) point out that the poorest people in some developing countries rely heavily on private providers for education and health services. Consequently, it is important that governments include the private and NGO sectors in their designs of future interventions in these areas.

BIDE (2002d) calls for government to provide a “level playing field” for public and private providers of education, arguing that competition among them is likely to increase efficiency and effectiveness (p. 4).

9. Government must avoid “crowding out” the private sector.

Governments are critical to the basic order on which all sustainable economic activity is based. Governments provide many important services to their citizens, and governmental authority is critical to the existence of basic human and property rights, and necessary for the extension of education and basic health services to the population. Nevertheless, government is a two-edged sword. Government actions on too large a scale can “crowd out” the private sector. Goods or services offered free or at subsidized prices by government will not be offered by the private sector. If government borrowing soaks up the available savings, capital will not be available to the private sector for investment. If government is large, taxation of producers of income could reduce or eliminate incentives to produce more. If the share of government in GDP rises, that of the private sector will necessarily fall.

The economic literature provides no clear guidance on this issue. Developed countries that provide a high level of economic well-being to their citizens vary widely in the size of government relative to GDP. At the same time, as concluded by World Bank (2003c), developed countries with large governments also have highly-trained and generally competent governments.

10. In most developing countries, governments must step back from controls on economic activity.

Country experience varies widely, but there is a broad consensus that many developing countries have gone too far in attempting to direct future economic activity. This issue relates closely to issue 2, on the use of market forces. World Bank (2003c) is the most emphatic on this issue. It concludes based on empirical work (discussed in Annex 1) that developing countries regulate the private sector far more than developed countries. This higher degree of regulation is in place despite a far lower capacity to enforce regulation. As a result, avoidance of law, the informal economy, and corruption

are more common. The solution proposed is to narrow the regulatory framework to core areas where enforcement is both possible and important to the protection of society.

BIDE (2002d) calls for governments to avoid rigid legislation relating to minimum wages and dismissals, in order to encourage employment, and for governments to avoid “highly subsidized” interest rates, and any subsidies for capital goods.

III. How African PRSPs Addressed the Private Sector

Table 2 below characterizes each of the 21 PRSPs from African countries by each of these ten criteria, and adds two additional columns: an eleventh column that makes a rough judgment about the adequacy of the treatment of the private sector in the PRSP, and a twelfth column that evaluates the Joint Staff Assessment of the PRSP by the World Bank and IMF with respect to its analysis of the document’s private-sector treatment. The IMF/World Bank assessments of PRSP’s are discussed below in Section VI.

The data in Table 2 should be treated as highly judgmental, reducing documents that often exceed 200 pages in length to a few yes/no characterizations. In each individual case, one might debate at length whether a country’s PRSP deserves a yes or no by an individual criterion. Rather, one should treat the individual country judgments in Table 2 as suggestive and focus primarily on the summary statistics at the bottom. For example, column two shows that all 21 countries identified economic growth as fundamental. A question mark for a particular criterion indicates that the information in the PRSP did not permit a clear yes/no decision. The eleventh column in Table 2 represents an even larger leap into judgment than the prior ten columns by offering an overall assessment of whether the potential private sector contribution to poverty reduction is adequately taken into account in the formulation of the PRSP.

It might be noted that the treatment of the private sector in Table 2 does not appear to correlate in any systematic way with the extent of private sector participation shown in Table 1. For all eight countries where this document concludes that the treatment of the private sector was inadequate, the PRSP document itself averred that the private sector had been consulted. In six of the cases, the private sector was identified as participating on committees or teams. In contrast, there were three countries (Mali, Uganda, and Zambia) where the private sector role was judged satisfactory, despite a lack of documentation in the PRSP that the private sector participated in the formulation of the document.

Regularities from the Reports

1. Economic Growth is critical to poverty reduction

All 21 PRSPs reviewed clearly endorsed economic growth as essential for poverty reduction. Some of the reports characterized economic growth as necessary but not sufficient, but none of the reports was skeptical of economic growth, *per se*. Many PRSPs were optimistic about future rates of economic growth, with projected GDP growth rates typically in the 5-7% range. In many cases, the projected growth was significantly higher than recent experience.

Virtually all of the PRSPs identify a sound macroeconomic framework as critical to the poverty-reduction strategy, often in very similar words. The Mali PRSP is typical:

No overall strategy can succeed without a favorable macro-economic framework that promotes growth. This is a necessary (but not sufficient) prerequisite for success in achieving the PRSP objectives...It is from this perspective that the macro-economic framework represents a prerequisite strategic pillar for any poverty reduction strategy in Mali. (p. 36)

Although all PRSPs identify economic growth as critical, many also see it as insufficient, and that attention to equity is also critical. The Bukina Faso PRSP provides a common articulation of this view:

Although economic growth is certainly a necessary condition to raise the level of income and improve the well being of the population, growth alone is not enough to combat poverty and inequity. For an economic policy to be sound and effective for the majority of the population, it must place equity at the forefront of its objectives. (p. 2)

2. Market forces, not government subsidies, are needed for the private sector to play its poverty-alleviating role.

As suggested by Table 2, nearly one-quarter of the PRSPs placed little faith in market forces as a tool for poverty reduction. These countries included Chad, Ethiopia, Malawi, Mali and Niger. Such countries typically saw government as playing a leadership role, directing the private sector's activities in the most socially-useful directions. In such cases, PRSPs indicated subsidies, directed credit, and preferential treatment for some enterprises or some sectors would be used or applied.

Ethiopia is a case in point. It seeks to promote the private sector by directing its development through a variety of government programs that subsidize or lead the private sector in desired directions, but expresses no commitment to the use of market forces or to market activity that is beyond the reach of government.

Table 2

Summary of Private Sector Orientation of Approved African PRSPs

Country	Economic Growth Fundamental?	Use of Market Forces Central?	Key Role for Private Sector?	Liberalize Trade?	Address LRJ regime?	Concrete Benchmarks for Private Sector?	Private Sector Role in Infrastructure?	Private Sector Role in Social Services?	Share of Government in GDP Cut?	Role of Government Reduced?	Overall, Is the Private Sector Role Adequate?	JSA Addresses Weaknesses in Private Sector?
Benin	yes	yes	yes	no	yes	yes	yes	yes	no	no	no	yes
Burkina Faso	yes	yes	yes	no	yes	no	no	no	yes	yes	?	no
Cameroon	yes	yes	yes	yes	yes	no	yes	yes	yes	yes	yes	no
Chad	yes	no	yes	no	yes	yes	yes	no	no	no	no	yes
Djibouti	yes	yes	yes	yes	yes	no	yes	no	no	no	no	yes
Ethiopia	yes	no	no	yes	no	no	yes	no	no	no	no	yes
The Gambia	yes	yes	yes	no	yes	no	yes	yes	yes	no	no	no
Ghana	yes	yes	yes	yes	yes	no	no	no	no	no	yes	yes
Guinea	yes	yes	yes	no	no	no	yes	no	no	no	no	yes
Kenya	yes	yes	yes	yes	yes	yes	yes	no	no	yes	yes	yes
Madagascar	yes	yes	yes	yes	yes	yes	yes	no	no	yes	yes	yes
Malawi	yes	no	yes	no	yes	no	yes	no	?	no	no	no
Mali	yes	no	yes	no	yes	no	yes	no	no	yes	yes	yes
Mauritania	yes	yes	yes	yes	yes	yes	yes	yes	no	yes	yes	yes
Mozambique	yes	yes	yes	yes	yes	yes	yes	no	no	yes	yes	yes
Niger	yes	no	yes	no	yes	no	no	no	no	no	no	no
Rwanda	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
Senegal	yes	yes	yes	yes	yes	no	yes	no	no	no	no	no
Tanzania	yes	yes	yes	no	yes	no	?	no	no	yes	yes	yes
Uganda	yes	yes	yes	no	yes	no	no	no	no	yes	yes	yes
Zambia	yes	yes	yes	yes	yes	no	yes	?	yes	yes	yes	yes
Summary:												
Yes	21	16	20	11	19	7	16	5	5	11	11	15
No	0	5	1	10	2	14	4	15	15	10	9	6
?	0	0	0	0	0	0	1	1	1	0	1	0

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3. *Private-sector dynamism is essential for sustainable poverty reduction.*

Nearly all of the countries envisioned a key role for the private sector in poverty alleviation, usually in conjunction with sound macroeconomic policies. The Ghana PRSP makes this point most succinctly:

Failure to acknowledge the pre-eminent role of the private sector in promoting growth has severely limited economic opportunities. Failure of the public sector to manage the macro economy has contributed to the deplorable failure of past development policies. (p. 34)

As noted in the previous section, there is a need to distinguish between support for the private sector and support for market forces. In reviewing PRSPs, it is the latter that is the more important. “Support for the private sector” is a phrase capable of covering over many development sins. It is probably more important to concentrate attention on a PRSP’s commitment to the use of market forces than on its commitment to the private sector.

The case of Benin illustrates the difficulty of making judgments in these areas. As indicated by Table 2, the Benin PRSP is judged to give a sufficient role for market forces and for the private sector. At the same time, however, the government states an intention to take such actions as developing industrial estates and increasing the use of local building materials, and more broadly to carry out a Private Sector Support Development Program, which includes (p. 35):

- Improvements to the business environment; this involves support to reform and privatization programmes, supervision of privatized enterprises, and strengthening of the Center for Business Support and its local branches;
- Strengthening of competitiveness and the diversification of exports (support for the creation of an Export Development Association, implementation of strategies and actions for developing industries with strong export potential, creation of a Trade Information Center, creation and management of a shared Expense Support Fund);
- Facilitating access to credit (support for microfinance institutions);
- Implementing the Entrepreneurs Training Project, to create capacities for promoting business;
- Arrangement of trailer parking and storage facilities;
- Implementing a Private Sector Environment Ombudsman;
- Setting in place an Insurance Body;
- Supporting business creation, rehabilitation and strengthening;
- Strengthening the management framework of the Private Sector Revitalization

Such inconsistencies in approach are common in the PRSPs of other countries, suggesting that the process is less a matter of coherent strategy than one of collecting views and programs from diverse sources within government and civil society.

4. Open trade policies promote growth and reduce poverty.

About half of the PRSPs endorsed trade liberalization. Most that did so focused mainly on export promotion, ignoring the key role of imports in improving welfare. Most countries that did endorse trade liberalization did so in the context of integration in one of Africa's regional groupings – WAEMU, SADC, COMESA, EAC, CEMAC, etc. The trade section of the *PRSP Sourcebook* is unambiguous in its claim that such regional free trade agreements are likely to be welfare-reducing, and especially so for poorer countries in the free-trade area.

The Burkina Faso PRSP takes an optimistic view of the value of increased regional integration (in its only statement on trade liberalization and specialization in the global economy) as follows:

Burkina Faso would like to benefit from the regional integration process under way in the West African Economic and Monetary Union (WAEMU) in order to transform its landlocked status – currently a handicap – into an asset and position itself at the crossroads of the economies of the sub-region. Swift implementation of an ambitious program of complementary structural reforms to eliminate the four key obstacles outlined above would soon enable Burkina Faso to achieve growth rates permitting a significant alleviation in the incidence of poverty. Given the current low level of competitiveness of the national economy, the West African economic integration process will undoubtedly entail some economic and social costs. Even so, the Government is confident that it can work with other members of the Union both to minimize the costs and to take full advantage of the opportunities that a much broader regional market will offer.

5. A good legal, regulatory and judicial system is key to the private sector's capacity to reduce poverty.

As Table 2 shows, virtually all PRSPs articulated the intention of improving the LRJ environment. Usually, this included steps to reduce corruption, actions to strengthen the independence of the judiciary, and promotion of the rule of law. This is perhaps the most difficult area for judging the content of the commitments made in the PRSP. Because of the enormous power in most developing countries of the national government, much depends on the forbearance of national authorities in exercising that power.

The Cameroon PRSP gives a typical formulation (p. xxi), where it commits the government to:

(i) reinforcing transparency and accountability, (ii) improving the delivery of basic social services, (iii) strengthening the rule of law and the legal and judicial security of investments, (iv) pursuing the decentralization and deconcentration of public management, and (v) improving citizen's access to information on public affairs.

This is obviously a very large agenda, and one that would take years to implement in a serious way. Like most other countries, Cameroon did not provide sufficient detail on the program to allow a clear judgment on the seriousness of the government commitment.

6. Concrete Benchmarks and Time-Bound Progress Indicators Are Needed to Demonstrate Serious Governmental Commitment

As indicated in the response to statement 3 above, there is rhetorical commitment to private sector development in most PRSPs. Such general statements are difficult to evaluate. It is only when commitments to improvements are concrete and time-bound that there is a solid basis for tracking and judging performance in turning general statements into policies. Unfortunately, few of the PRSPs reviewed provide such specificity. In our review, only seven of the 21 PRSPs were deemed to have provided it, using a standard that was far from strict.

This is clearly a neglected area in the PRSP process. The PRSP *Sourcebook* gives little attention to the private sector in general, and none to monitoring the impact of the private-sector portion of the PRSP strategy. The Joint Staff Assessments generally give considerable attention to macroeconomic indicators, and to poverty-related ones – such as the geographical location of the country's poor – but point to lack of concrete progress indicators for the private sector in only a few cases.

Given the importance of private sector dynamism for poverty reduction, more attention should be given to indicators in this area. Some important work has been done in the past in this area, most notably by the World Economic Forum's *Global Competitiveness Report*. Of the more than 180 indicators used by the Forum to assess the climate for private sector development, about 100 might be applicable to the poverty-reducing role of the private sector. While only a few of the countries that have submitted PRSPs are surveyed by the *Global Competitiveness Report*, the measures used could be adapted by any developing country to track progress on private-sector-related dimensions.

The World Bank issued in 2003 an important new database of indicators that relate directly to the environment for private enterprise in developing countries. The World Bank database does not provide measures over as wide a range of variables as the World Economic Forum, nor the historical trends available from that source, but it has several major advantages. First, it provides comparative data on 130 countries, making it significantly larger than the Forum's database. (Most notably, it includes all but two [Djibouti and The Gambia] of the PRSP countries reviewed here, while the Forum's data includes only four of them, and concentrates instead on more advanced countries.) Second, its methodology is more directly comparable across countries, relying less on the judgments of a small sample of business leaders. Third – according to the authors of the World Bank study – the cost of regular updating of the data is very low, and the authors state an intention to provide annual updates, with planned addition of new variables. A first update, including several additional variables, was issued in September 2004. The data for the 19 case-study countries included in the World Bank database are shown in Annex 1. Fourth, the World Bank database is much more attuned to the conditions facing domestic as well as foreign enterprises, while the Forum's data is most directly relevant to global investment and multinational corporations.

In sum, the new World Bank database seems to be an important new tool for tracking performance of governments in providing a favorable climate for the private sector's developmental role. Though none of the PRSPs reviewed here used any of the indicators from the new database, several of the APRs did include one or more of the variables in the new dataset as tracking indicators for treatment of the private sector. The most frequently-used indicator was the cost in time and money for establishing a new business.

The World Bank database covers an important, though limited, range of private sector activity. Such outcome indicators are only one of the kinds of indicators relevant to progress in PRSP implementation, and some indicators of importance will be country-specific. Ideally, PRSPs should include two types of indicators – specific commitments by government to improvements in the environment, and outcome indicators that reflect the cost of doing business.

7. *Private sector provision of infrastructure offers important efficiency opportunities, and should be considered*

Most PRSPs contemplate a role for the private sector in infrastructure services. Only five PRSPs failed to include this option as part of the poverty-reduction strategy. Even in some of these cases, the PRSP may not have captured actual intentions, as the discussion of infrastructure in the PRSPs is frequently quite general. In some of the countries where this option was not considered, government also tended to be more generally suspicious of the private sector.

8. *Opportunities for private-sector provision of social services also offer potential efficiency, and should be examined.*

As indicated by Table 2, less than a quarter of the PRSPs consider involving the private sector in delivery of social services. This tendency of government to fail to take account of non-governmental activities – to ignore what is not under direct control – is a common weakness in governmental programs.

The countries that do propose action in this area identify only limited actions, usually with very general statements. Benin calls for public/private partnerships in health, but does not offer any specificity. In education, it notes an important role being played by private institutions, but the PRSP appears to propose action only for public schools. Mauritania and Rwanda intend to privatize urban water supplies.

9. *Government must avoid “crowding out” the private sector.*

As indicated by Table 2, less than a quarter of the PRSPs envision a future where private economic activity grows at a more rapid rate than that of government. This is an issue that needs to be examined at the individual country level, and one that merits discussion in the JSAs – none of which discuss the projected trend in the government

spending/GDP ratio. The Kenya PRSP is one example of this inattention. The PRSP calls for a shrinkage in the size of government relative to GDP, stating (p. 19) an intention of “reducing overall expenditures to GDP as the primary means by which the budget deficit will be brought down to sustainable levels.” Yet the later Table 3.5 shows projected government spending, excluding principal repayments, to rise to an average of 26.5% in 2005-07, up from 25.1% in 1999-2002. In the case of Djibouti, where the consolidated government spending/GDP ratio is projected to rise from 33% to 41%, the JSA does not take note of this, although it is generally critical of the emphasis on government programs and inattention to the private sector.

Besides the matter of the size of government, the quality of public expenditure management is of great importance in the impact of government spending on poverty reduction. The IMF (2004, p 86) reports on an analysis of public expenditure management in the 20 countries with full PRSPs through the end of 2002. They found no countries where public expenditure management would require little upgrading, seven African countries (Benin, Burkina Faso, Chad, Mali, Rwanda, Tanzania and Uganda) where some upgrading would be required, and eight African countries (Cameroon, Ethiopia, The Gambia, Guinea, Madagascar, Malawi, Mauritania, and Mozambique) where substantial upgrading would be required.

10. In most developing countries, governments must step back from controls on economic activity.

According to Table 2, slightly more than half of African PRSPs contemplate a reduction in the role of government in controlling and directing the economy. The remainder – 10 of the 21 countries in the study – were judged as seeking a larger role for government in economic activity.

Ethiopia provides a different kind of example of governmental crowding out. While giving general assent to the proposition that the private sector should play a leading role, the PRSP emphasizes a dominant, and sometimes expanding, role for government. The report recognizes that Ethiopia’s agriculture suffered from excessive state control during previous decades, but does not back away from continuation, and sometimes enlargement, of its dominant role. Agricultural production is to be encouraged, but is dependent on government leases. The government is to provide information on agricultural prices to farmers, to establish an agricultural products exchange, develop and enforce standards for products, establish farmer cooperatives, and articulate “a detailed development plan for each agro-ecological zone to exploit the growth opportunities in those areas.” This intention to expand the role of government is made in a country where it has demonstrated only limited competence to carry out core government functions.

IV. Summarizing the Results

As discussed earlier, the penultimate column of Table 2 offers a (very tentative) judgment regarding the treatment of the private sector in the 21 Sub-Saharan Africa PRSPs studied. This overall judgment did not flow from a simple adding-up of yes's or no's on the previous ten columns of Table 2, but rather a conclusion based on those answers and other aspects of the text of the PRSP. But it bears repeating that PRSPs are typically documents of several hundred pages, with more or less glaring internal inconsistencies. No document of such length is likely to be completely internally consistent. Instead, such documents will tend to be the amalgamation of efforts of different people with different visions or aims, cobbled together with superficial efforts to produce the appearance of coherence.

As indicated by the summary, eleven countries appear from the documentation to give an appropriate role to the private sector in the PRSP, while nine do not. The PRSP of a final country, Burkina Faso, was ambiguous – though the discussion of Annual Progress Reports in Section VII below provides adequate evidence that Burkina Faso has indeed provided appropriate space for the private sector in poverty reduction. This leaves nine countries judged to have inadequate treatment of the private sector in the PRSP: Benin, Chad, Djibouti, Ethiopia, The Gambia, Guinea, Malawi, Niger and Senegal. Among these countries, Chad is a special case, as its PRSP is heavily concerned with the prospect of vastly increased economic activity and government revenues expected to result from oil exports. The other eight countries share a legacy of a large government sector or a previous era under a socialist government. All but one of the eight (Guinea) had government spending as a share of GDP above the average for the least developed countries, with some (Djibouti, Ethiopia, and Malawi) close to double that percentage.

Reviewing these PRSPs, the general proposition that seems most appropriate is that the private sector is not emphasized in the PRSP because the government wants it that way. The “country ownership” principle of the PRSP process should allow for some considerable variation in the role and treatment of the private sector. Nevertheless, the World Bank and IMF, with their experience on development strategy, should be willing and able to identify weaknesses in PRSPs where they give very little attention to the importance for growth of a vibrant private sector. This is the topic of the next section. Unsurprisingly, four of the five countries where the IMF/World Bank reviews of the PRSP seemed to fail to recognize weaknesses in the treatment of the private sector were countries listed in the previous paragraph.

Section VI below discusses broader concerns about PRSPs, based on the evaluations of the PRSP process carried out by the World Bank and IMF. The most notable of these concerns is the conclusion that the PRSP process has serious flaws. PRSPs are often “paper documents,” not linked to budgetary or strategic choices of governments; they reflect the choices of a particular governmental administration rather than the country, and they focus mainly on health and education, with little attention to growth issues, including the role of the private sector.

V. Treatment of Private-Sector Shortcomings in IMF/World Bank Joint Staff Assessments

With the submission of a PRSP for review by the Executive Boards of the World Bank and International Monetary Fund, the staffs of the two organizations prepare an analysis of the PRSP that is submitted to the Executive Boards along with the PRSP. These Joint Staff Assessments (JSAs) thus represent an assessment by the professional staffs of these organizations on the adequacy of the PRSP in meeting its poverty-reduction objective. For this project, the JSAs were reviewed to determine the extent to which shortcomings in each PRSP with regard to the role of the private sector were identified by the JSA.

The majority of the JSAs correctly identify the weaknesses in the PRSP being reviewed, consistent with the criteria in the previous section. However, some JSAs ignored serious shortcomings in the treatment of the private sector. As discussed above, a number of JSAs ignored best practice with regard to trade liberalization in critiquing PRSPs. More broadly, five JSAs were judged in this review to give insufficient attention to weaknesses in the PRSP in addressing private-sector issues. Below, we briefly describe the problem and its treatment in the JSA for each of these five countries.

Burkina Faso. While the PRSP makes very positive general statements about the importance of the private sector, the need to privatize state owned enterprises, the need to liberalize marketing of agricultural products, the high costs of production, and the need to limit the scope and reach of government, the document is completely without specificity in this matter. On trade, the emphasis is on regional integration with WAEMU countries. No targets, timetables, or goals are offered.

The JSA endorses the private sector strategy, but ignores the lack of specific targets, timetables or goals. Its criticism is limited to a complaint that (p. 4) “the government’s larger strategy for growth and poverty reduction in the agricultural sector is not fully presented in the paper” but implies that this strategy is present in other government documents.

The JSA review of the progress report two years later does address these shortcomings. It calls (p. 2) for “the swift and determined implementation of already formulated government strategies” for privatization and reduction of high costs of production, asks (p. 2) that the government detail its trade practices and lay out plans for further trade liberalization, and complains (p. 3) that the government lacks a broad strategy for the rural sector.

The Gambia. The PRSP calls in general terms for increased private-sector participation in the economy, but provides almost nothing in the way of concrete goals or proposed undertakings that would make this a reality. In agriculture, the major sector of the economy, the document call for privatization of two groundnut processing plants, but limits its further commitments to a willingness (p. 99) to “continue to move towards” privatization and liberalization of agricultural input distribution and credit. For tourism, a

new parastatal is to ‘coordinate and promote’ the sector. Export processing zones are to be promoted, under the direction of another new parastatal.

The JSA gives only vague and guarded comments on this lack of commitment to private sector participation in the economy:

While the PRSP has identified the key sectors, namely agriculture, tourism, and re-export trade that will generate much of the growth, there is a need for more in-depth analysis regarding the policy and institutional reforms necessary to accelerate growth in each of these sectors. (p. 6)

...agricultural policy, especially in the groundnut subsector, ...requires more details on measures to increase incomes through market-driven means, increase food security and promote diversification. (p. 7)

Malawi. The PRSP calls in general terms for increased private-sector dynamism, and acknowledges that government has been an obstacle in the past by trying to do too much. Nevertheless, the PRSP calls in its operational content for continued heavy involvement of government in economic activity, and implies a subsidiary role for the private sector.

Though the JSA is very laudatory of the PRSP in most ways, it does recognize that “private sector development is considered crucial for achieving the objectives of the PRSP, but the role of the private sector in specific areas is not clearly identified.” The JSA report also lauds the Malawi PRSP for its very broad participatory process of preparation, without recognizing that most of the working groups included no participants from the private sector (see footnote 1 on page 3). This may account in part for the failure to link progress to activities in the private sector.

Niger. The PRSP states a general intention to promote the private sector through privatization of commercial state enterprises; a private sector role in education, water, and sanitation; a private sector role in infrastructure; and a better legal and regulatory climate for the private sector. None of the statements goes beyond such generalities, and no specific actions, programs, infrastructure sectors, or enterprises that would be affected are identified.

The JSA agrees that the promotion of private-sector-led growth is appropriate to poverty reduction, and argues that sectoral and cross-sectoral synergies are crucial to the success of this plan. Nevertheless, the JSA fails to point out the almost complete lack of specific content or commitments in the PRSP regarding the scope and environment for private-sector activity.

Senegal. The PRSP makes general statements in support of the importance of the private sector for poverty reduction, but also lays out a framework for action that seems to relegate the private sector to a subordinate role to government. This is due in part to the “weakness” of the private sector in Senegal. No performance indicators of general

statements in support of the private sector (e.g., privatization) are included. The Senegal JSA gives little attention to the subordinate role of the private sector in the PRSP.

VI. The IMF and World Bank Reviews of the PRSP Process

The World Bank (World Bank 2004b) and IMF (IMF 2004) both recently concluded assessments of the PRSP process. Both reports are of high quality, and highlight the main issues that relate to the PRSP process, though the IMF report covers the topic with greater depth and nuance. Both assessments agree that the PRS process is a step forward from previous approaches, notably the Policy Framework Papers (PFPs)². They agree that host country ownership and broad participation are the two features that distinguish the PRS approach from its predecessors – even though “host country ownership” is clearly quite limited in a process that marches to the timetable of the Bretton Woods Institutions (BWIs), uses extensive technical inputs from the BWIs in its preparation, and where the documents require endorsement by the staffs of the BWIs before the government preparing the PRSP receives any tangible benefit.

Both studies agree that this linkage to BWI requirements makes many PRSPs paper exercises aimed at producing a document for a Washington readership. The completion of the document often signals the end of the participatory process. And the need to please the Boards of the World Bank and IMF has been a “paper tiger,” as all PRSPs that have been presented gained the endorsement of both Boards. But they also acknowledge that the timing of PRSP completion has been driven by Washington considerations relating to HIPC rather than by domestic political cycles in the country.

Nevertheless, some countries have built a serious national approach to poverty on the base of the PRSP, drawing on strong leadership and country ownership. According to the World Bank’s report (p. ii), the PRSP process has “added the most value in countries where government leadership and aid management processes were already strong.” Mozambique and Tanzania come in most often for praise for their ownership and adaptation of the PRS process. They were the only cases out of 10 case-study countries where civil society (including the private sector) was involved in implementation through an effective formal mechanism³. Guinea is cited as a good bad

² The IMF’s evaluation of the ESAF (IMF, 1998, p. 36) noted that “The predominant view—and many ministers and senior officials echoed it with disappointment—is that although initially the PFP process had held great promise..., it has become a rather routine process whereby the Fund brings uniform drafts (with spaces to be filled in) from Washington, in which even matters of language and form are cast in colorless stone. Many senior officials expressed the view that the PFP has become so uniform that it is difficult to distinguish one from the other.”

³ It is notable that these two countries were two of the three countries in the IMF/IBRD sample of ten countries where stakeholder surveys revealed a negative perception of the PRSP process (Nicaragua was the other case). This suggests the possibility of an inverse relationship between the effectiveness of a PRSP as a strategic document that chooses clearly among alternatives and the satisfaction of participants

example. The World Bank/IMF case study (World Bank/IMF 2004b) concludes (p. 17) that the PRSP did not have broad-based ownership even within the government. Moreover (p. 18):

...the policy agenda contemplated in the PRSP is at variance with the government's implementation capacity, and that it is insufficiently prioritized, including in the sense that it does not offer guidance to solve tradeoffs between competing objectives, or contingency plans to adapt to changes in the external environment.

In their broad conclusions, both the World Bank and IMF reports track very closely with several conclusions from this paper:

First, the PRSPs are biased toward social sectors, and are not broad strategic documents. The IMF report states (p. 8):

The focus of most PRSPs is on the composition of public expenditures, especially social sector spending, with much less emphasis on other aspects of a broader strategy to encourage poverty-reducing growth. Even in the area of public expenditure, the operational value of PRSPs is often limited, because of the still rudimentary nature of most costing and prioritization. In many cases, PRSPs also avoid addressing key strategic choices involving "controversial" structural reforms. These weaknesses imply that in most cases PRSPs do not yet provide a policy framework in which PRGF-supported programs can be anchored.

Second, economic growth was saluted as essential, but little attention was often given to the determinants of growth and poverty reduction. The World Bank report is clear on the weakness (p. 41): "Where data are available, poverty rates have remained sluggish in part because of limited progress on agricultural growth and private sector development."

Third, the private sector was similarly saluted, but the issues involved in promotion of the private sector as an engine for poverty reduction were not identified. The World Bank report states (p 20) "The health and education strategies were the clearest in terms of priorities and targets, while the weakest sector in almost all PRSPs was private sector development." That report is also explicit in linking slow progress on poverty in part to lack of attention to private sector issues.

And finally, projected growth rates, PRSP targets, and projected government expenditures were often unrealistic, with the latter failing to address tradeoffs. It is often assumed that all identified problems have a high priority, and that all can be funded.

Both reports recognize the lack of specificity of most PRSPs in addressing private sector matters, and suggest that concrete benchmarks and progress indicators be established. However, neither report offers very much in the way of concrete suggestions. The World Bank report does call for participation and monitoring of

with the process – perhaps because everyone's issues can be included where strategic choices are not made. Unfortunately, the IMF/IBRD assessments failed to follow up on this notable finding.

progress by both NGOs and the private sector as a potential tool for improving progress measurement.

The reports also criticize the JSAs as weak in a number of respects. The World Bank report states (p. 27) “The JSAs were particularly weak in their treatment of private sector participation and partnership issues.” That report also noted little progress over time in addressing this problem.

VII. Annual Progress Reports (APRs): Do They Matter?

This review examined the most recent Annual Progress Reports for each of 13 African countries for additional light on the PRSP process. One-page summaries of each APR’s treatment of the private sector are included as Annex 3. Table 3 offers a summary of the treatment of the private sector in the APRs.

For the most part, the APRs appeared to show serious intent to implement the general propositions of the PRSPs with respect to the private sector. Ten of the 13 countries were judged to be fulfilling commitments to the private sector, and to provide a satisfactory treatment of the private sector in the APR. In all but two cases, the private sector was identified as being involved in implementation of the PRSP.

Three countries –Guinea, Malawi, and Niger – appear to be unwilling to follow through on commitments regarding the private sector, or to meet a modest standard for satisfactory treatment of the private sector in the APR. And two of these three countries are the only ones that have not involved the private sector in implementation – at least as reported in the APR. This treatment is consistent with the diagnosis of the treatment of the private sector in the PRSP in all three countries. This strongly suggests a lack of interest on the part of government in engaging the private sector in its development and poverty reduction strategy.

Table 3

Treatment of the Private Sector in African APRs

Country	Commitments Regarding Private Sector Being Fulfilled?	Satisfactory Treatment of Private Sector?	Concrete Indicators for Progress on Private Sector Issues?	Private Sector Involvement in Implementation?
Burkina Faso	yes	yes	yes	yes
Ethiopia	yes	yes	yes	yes
Ghana	yes	yes	no	no
Guinea	no	no	yes	yes
Malawi	no	no	no	no
Mali	yes	yes	yes	yes
Mauritania	yes	yes	no	yes
Mozambique	yes	yes	yes	yes
Niger	no	no	no	yes
Rwanda	yes	yes	no	yes
Tanzania	yes	yes	no	yes
Uganda	yes	yes	no	yes
Zambia	yes	yes	yes	yes
TOTALS				
Yes	10	10	6	11
No	3	3	7	2

APRs were reviewed for two other countries for which the PRSP did not provide a clear indication of adequate treatment of the private sector. As mentioned earlier, the review of the PRSP for Burkina Faso was ambiguous, leading to a question mark in the last column of Table 2. The Burkina Faso APR has clarified this situation, showing adequate treatment of the private sector, the use of concrete progress indicators, and private-sector involvement in implementation. The second country, Ethiopia, was judged to have an unsatisfactory treatment of the private sector in the PRSP. The APR suggests considerable progress in this regard.

The third column of Table 3 is problematic. Fewer than half of the countries studied were able to establish concrete indicators to monitor performance in private-sector-related areas. This is a serious problem, and the IMF, World Bank, and other donors should devote attention to addressing this problem. Yet, the larger role would seem most appropriate for the local private sector, in helping government to identify those areas where the country's capacity to compete in a globalized economy is most limited by government procedures or traditional arrangements. For such discussions to be fruitful, it will be important to distinguish between the "private sector" as vested interests in the *status quo*, and the "private sector" that is likely to provide growing employment in the future, which is in need more of a level playing field than of preferential treatment by government.

VIII. Conclusions

This analysis has been based entirely on a review of the PRSP, APR and JSA documents, and not on any consultations with governments or any other participants in the PRSP preparation process. It is possible that such consultations, or a greater understanding of the negotiations leading to the completion of these documents, would alter some of the findings. The country-specific judgments about the treatment of the private sector by the various metrics, in particular, might be affected. Nevertheless, this limited review comes to five main conclusions:

1. Most PRSPs do appropriately take the private sector into account in their development, implementation and strategic conception. In the majority of countries studied, the private sector participated in the PRSP process. In most countries, the PRSP treated the private sector as a key factor in achieving poverty reduction over the long term.
2. In countries with deficient treatment of the private sector, two types of problems emerged. First, some PRSPs saw the private sector as an adjunct of government policy, with governmental directives guiding the development of the private sector. Second, some PRSPs saw subsidization of the private sector, or particular industries within it, as a key tool for poverty reduction. In either case, the resulting strategy is not consistent with either the historical record on the contribution of the private sector to poverty reduction or World Bank advice.
3. The most serious weakness in most PRSPs was the lack of concrete benchmarks or progress indicators for commitments with respect to the private sector. Only seven PRSPs met modest standards in this area. At the same time, the World Bank's new dataset on business conditions is an important new tool for remedying this problem. Data from this new tool is not included in any of the PRSPs, but it has great potential to be used, along with other measures, to provide clearer progress indicators. But there are many country-specific benchmarks and progress indicators that could be developed to respond to the specific issues in each country. Private-sector participation in their formulation is key to their usefulness.
4. A few Joint Staff Assessments gave inadequate attention to weaknesses of PRSPs with respect to the private sector. The main cases in this regard were Burkina Faso, The Gambia, Malawi, Niger, and Senegal.
5. The review of Annual Progress Reports (APRs) suggests that some modest progress is being made in identifying ways in which the private sector can be a more powerful engine for growth and poverty reduction.

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Annex 1: Ratings of African Countries in the World Bank *Doing Business in 2005* Database

		AVERAGE	Benin	Burkina Faso	Cameroon	Chad	Ethiopia	Ghana	Guinea	Kenya	Mada-gascar	Malawi	Mali	Mauritania	Mozam-bique	Niger	Rwanda	Senegal	Tanzania	Uganda	Zambia
Starting a Business	Number of procedures	11	8	13	12	19	7	12	13	12	13	10	13	11	14	11	9	9	13	17	6
	Time (days)	63	32	135	37	75	32	85	49	47	44	35	42	82	153	27	21	57	35	36	35
	Cost (% of income per capita)	225	197	153	183	344	77	88	208	53	65	141	187	141	96	396	317	113	187	131	23
	Min. capital (% of income per capita)	254	333	499	232	610	1,822	31	475	-	51	-	482	858	15	745	-	270	7	-	3
Hiring and Firing Workers	Difficulty of Hiring Index	53	72	100	61	100	50	11	67	22	28	22	78	89	72	100	89	61	56	-	-
	Rigidity of Hours Index	64	60	100	80	80	60	40	80	20	60	20	60	60	80	100	80	60	80	20	40
	Difficulty of Firing Index	50	50	70	80	60	20	50	30	30	60	20	60	60	40	70	60	70	60	-	40
	Rigidity of Employment Index	56	61	90	74	80	43	34	59	24	49	21	66	70	64	90	76	64	65	7	27
Registering Property	Firing Costs (weeks)	59	54	80	46	47	48	25	133	47	41	90	81	31	141	76	54	38	38	12	47
	Number of procedures	6	3	8	5	6	15	7	6	7	..	6	5	4	7	5	5	6	12	8	6
	Time (days)	114	50	107	93	44	56	382	104	39	..	118	44	49	33	49	354	114	61	48	70
Getting Credit	Cost (% of property value per capita)	13	15	16	19	13	11	4	16	4	..	4	21	9	12	13	10	34	13	6	9
	Cost to create Collateral (% of income per capita)	42	81	22	88	49	11	38	32	3	39	..	59	6	5	75	..	17	21	12	19
	Legal Rights Index	4	4	4	4	3	5	5	2	8	4	..	3	7	4	4	5	3	5	5	6
	Credit Information Index	2	2	2	2	3	-	2	2	4	3	-	2	1	4	3	3	2	-	-	-
	Public registry coverage (borrowers per 1000 capita)	1	2	2	1	-	-	-	-	-	3	-	1	2	5	1	1	3	-	-	-
Enforcing Contracts	Private bureau coverage (borrowers per 1000 capita)	39	-	-	-	-	-	1	-	1	-	-	-	-	-	-	-	-	-	-	-
	Disclosure Index	2	1	1	1	1	2	2	4	2	1	2	1	1	2	1	1	1	1	2	1
Closing a Business	Number of procedures	35	49	41	58	52	30	23	44	25	29	16	28	28	38	33	29	36	21	15	16
	Time (days)	434	570	458	585	526	420	200	306	360	280	277	340	410	580	330	395	485	242	209	274
	Cost (% of debt)	43	30	93	36	55	15	14	28	41	23	137	35	29	16	42	50	24	35	22	29
Closing a Business	Time (years)	4	3	4	3	10	2	2	4	5	..	3	4	8	5	5	..	3	3	2	3
	Cost (% of estate)	20	18	8	18	76	8	18	8	18	..	8	18	8	8	18	..	8	23	38	8
	Recovery Rate (percent)	17	9	6	21	-	40	28	22	15	-	18	6	6	12	3	-	19	21	36	19

Source: World Bank. *Doing Business in 2005*

Annex 2: Summaries of PRSPs of African Countries

BENIN

The Private Sector Role in the PRSP

1. What is the general orientation toward economic growth and market forces?

The PRSP states (p. 20) that "if poverty is to be reduced in a significant and sustained manner, accelerated and better distributed economic growth are imperative... The Government's strategic choice is therefore to attain this accelerated growth through major increases in private investment, both domestic and foreign." It sees reliance on market forces as important to growth.

The plan projects real GDP growth to be 5.8% in 2003, 6.8% in 2004 and 7.0% in 2005. These objectives are contingent on "strong economic performance in the areas of construction and public works, trade and transport, as well as on diversification and increased production of [the] primary sector." Investment is also expected to rise with rates of 20.9% in 2003, 21.4% in 2004 and 20.7% in 2005.

2. What role does the PRSP envisage for the Private Sector?

The PRSP defines the private sector as the engine of growth in Benin. To ensure this growth the government has established the Private Sector Development Support Program. This program will include:

- Improvements to the business environment; this involves support to reform and privatization programmes, supervision of privatized enterprises, and strengthening of the Center for Business Support and its local branches;
- Strengthening of competitiveness and the diversification of exports (support for the creation of an Export Development Association, implementation of strategies and actions for developing industries with strong export potential, creation of a Trade Information Center, creation and management of a shared Expense Support Fund;
- Facilitating access to credit (support for microfinance institutions);
- Implementing the Entrepreneurs Training Project, to create capacities for promoting business;
- Arrangement of trailer parking and storage facilities;
- Implementing a Private Sector Environment Ombudsman;
- Setting in place an Insurance Body;
- Supporting business creation, rehabilitation and strengthening;
- Strengthening the management framework of the Private Sector Revitalization

To ensure the proper implementation of this program, the following roles have been assigned:

- The Government will withdraw from direct interventions in productive sector and create an environment that is favorable to the development of economic activities;
- Private operators will be the main players in the industrial development and must be made aware of this.

3. Is the Legal, Regulatory and Judicial Framework satisfactory?

The PRSP is clear that without good governance and strong institutional capacities enhanced levels of economic growth and poverty reduction are not possible. The plan states (p. 57) that "corruption discourages potential investors and consequently impacts the country's productive base and undermines growth." The PRSP identifies the adoption of anticorruption law, use of procedure manuals and user's guides, and the formation of a national coalition against corruption as mechanisms to prevent corruption.

4. *Is the trade regime being liberalized?*

The plan makes no specific mention of trade policy. The PRSP briefly mentions Benin's membership in the West African Economic and Monetary Union, but does not go into detail about further integration efforts.

5. *Is the private sector to play a role in infrastructure and social services?*

The PRSP states (p. 36) that "the Government intends to ensure the access of investors to production factors at competitive rates, including electricity, water, telecommunications, transport infrastructure and real estate." Following this statement, little evidence is offered to illustrate this point.

With regard to social services, the plan states (p. 39) that "large-scale public and private investment in these sectors will have two effects, through rapid response to demands for basic social services, and a long-term effect, through the development and enhancement of human capital." The private sector's role should be seen as "an indicator of both supply constraints in the public sector (in both quality and quantity), as well as the existence of a sustained demand for education." (p.40)

6. *Are there concrete indicators or benchmarks for private sector-related actions?*

The PRSP includes several indicators of performance of importance to the development of the private sector, but most lack goals or annual performance targets.

7. *How will the PRSP affect the size of government?*

The ratio of government spending to GDP is projected to rise during the timeframe of the PRSP, from 20.1% of GDP in 2000 to 20.9% in 2005. All of the increase is to come in public investment.

8. *Were any weaknesses in private-sector orientation highlighted by JSAs?*

The JSA notes that the private sector development strategy is incomplete.

The PRSP could have elaborated on (i) how to increase financial intermediation and promote savings and access to credit; and (ii) how to further streamline business regulations to reduce red tape and transaction costs.

BURKINA FASO

The Private Sector Role in the PRSP

1. What is the general orientation toward economic growth and market forces?

The Burkina Faso PRSP states clearly that poverty reduction cannot take place without substantial economic growth. The PRSP projects an average GDP growth rate between 7% - 8%, significantly higher than recent experience. On page 31, the PRSP states that:

Macroeconomic stability is a prerequisite for accelerating growth and ensuring the overall competitiveness of the economy. The Government accordingly intends to pursue a policy of ensuring a sound macroeconomic framework that will minimize financial disequilibrium and lead to stable and non-inflationary growth.

2. What role does the PRSP envisage for the Private Sector?

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The PRSP recognizes that the private sector is the engine of growth and that there is a need for an increased role for the sector. According to the plan, the State will take on more of a regulatory and redistributive role. The PRSP states (p.29) that "public intervention will always be guided by two major motivations: compensating for the market's shortcomings in the efficient allocation of resources and seeking social equity." As a result of Burkina Faso's low level of domestic savings, the government intends to adopt policies that create a sound environment for private investment. However, the plan does not identify specific policies to foster this investment.

3. Is the Legal, Regulatory and Judicial Framework satisfactory?

The PRSP identifies the promotion of good governance as one of its guiding principles. The plan highlights progress that has been made in recent years, including the establishment of a multiparty system, adoption of a liberal constitution, and regular elections. The plan identifies general areas for improvement (p. 47):

With respect to good governance, democratization of society, and strengthening of the rule of law, government policy focuses on five areas:

- Preparation and implementation of the national plan of good governance
- Plan and strategy for reform of the judicial system
- Global reform of public administration
- Decentralization
- Improvement of economic and social information.

Nevertheless, no problems are identified as the most pressing, and neither specific actions to improve the regulatory environment nor progress indicators are identified.

4. Is the trade regime being liberalized?

The PRSP states that Burkina Faso intends to integrate its economy more completely with those of other ECOWAS countries, and expects that this more liberalized trade regime will be a stimulus to growth. The PRSP does not mention the WTO or intentions for trade liberalization beyond the ECOWAS region.

5. *Is the private sector to play a role in infrastructure and social services?*

The plan identifies the lack of infrastructure, in particular in rural areas, as a serious problem for the country. The PRSP describes the rural roads and electrification programs, but does not mention a role for the private sector in either of these programs, or any private sector role in social service delivery.

6. *Are there concrete indicators or benchmarks for private sector-related actions?*

In the monitoring and assessment section of the PRSP, a list of indicators covering three areas (budget management, health, education) is presented. The list does not include any indicators to monitor the general commitments to liberalization of the economy, or to an increased role for the private sector.

7. *How will the PRSP affect the size and role of government?*

The PRSP projects a decline in the ratio of government spending to GDP over the PRSP period, and makes general statements that the extent of government involvement in the economy will decline.

8. *Were any weaknesses in private-sector orientation highlighted by JSAs?*

The JSA makes general statements in support of the government's private-sector orientation, but includes no language suggesting how this might be strengthened. Given the lack of specificity and concreteness of the statements in the PRSP, the JSA should have mentioned the desirability of time-bound commitments to action or progress indicators.

CAMEROON

Private Sector Role in the PRSP

1. What is the general orientation toward economic growth and market forces?

The PRSP endorses economic growth as central to poverty reduction. The Report states (p. 31) that “the central lesson from the analysis of poverty factors and trends is that economic growth, with its generation of many economic and revenue opportunities is essential to poverty reduction.”

The report also identifies market forces as essential to sustainable economic growth. Steps to implement a market-based approach include (p. 55) “...price liberalization, the elimination of credit access problems, the simplification of customs procedures and tariffs, restructuring the banking sector, and transportation sector privatization and reforms.”

2. What role does the PRSP envisage for the Private Sector?

The PRSP sees the private sector as the cornerstone of its strategy, as described on page xiv:

...the cornerstone of the government’s strategy rests on a dynamic private sector, which would drive economic growth while efficiently distributing its fruits, contribute to a stronger domestic savings, and become an effective partner to foreign investors. Ongoing structural reforms, including price liberalization; the elimination of restrictive credit control practices; simplified tariff systems and customs procedures; the restructuring of the banking sector; privatization and port reforms; and the state’s divestiture from productive activities have already helped create a more business-friendly and stimulating environment for the private sector.

3. Is the Legal, Regulatory and Judicial Framework satisfactory?

The PRSP identifies improved governance as one of its seven strategic emphases. In implementing its National Governance Program, the government is committed to (p. xxi):

(i) reinforcing transparency and accountability, (ii) improving the delivery of basic social services, (iii) strengthening the rule of law and the legal and judicial security of investments, (iv) pursuing the decentralization and deconcentration of public management, and (v) improving citizen’s access to information on public affairs.

4. Is the trade regime being liberalized?

The PRSP says that Cameroon and its CEMAC partners have lowered the maximum external tariff from 30% to 20%, and reduced non-tariff barriers. The document calls for “open regionalism” that will promote trade both with Cameroon’s neighbors and

with the rest of the world. It also states (p. 46) that past protectionism has been inconsistent with the development of a competitive industrial sector in Cameroon

5. *Is the private sector to play a role in infrastructure and social services?*

The private sector is to play an increased role in infrastructure. The PRSP calls for privatization of the urban water company, and for increased involvement of private operators in electricity and telecommunications.

In social services, the PRSP calls for partnerships between the public and private sectors in education, including primary, technical and vocational education. Nevertheless, no specific content to this general proposition is offered in the PRSP.

6. *Are there concrete indicators or benchmarks for private sector-related actions?*

The performance indicators used are very broad, and not easily linked to specific government actions. In essence, the broad commitment to private-sector led growth is not accompanied by specific commitments to action that would ratify it.

7. *How will the PRSP affect the size and role of government?*

The PRSP projects that the government share of GDP will fall from 17.7% of GDP in 2000-2002 to 17.2% in 2004-05.

In terms of the role of government, the broad statements embody a commitment to a reduced role for government, though the specific statements are less convincing.

8. *Were any weaknesses in private-sector orientation highlighted by the JSA?*

Yes, though obliquely. The JSA tangentially refers to the weaknesses in the PRSP in providing concrete indicators that would permit monitoring of the general commitments to private-sector led growth, but such statements are close to opaque. Other comments by the JSA approach silliness in their encouragement of “sound-good” actions in preference to actions that are likely to have a positive and sustainable impact.

CHAD

The Private Sector Role in the PRSP

1. What is the general orientation toward economic growth and market forces?

The Chad PRSP recognizes the need for strong economic growth as a means of poverty reduction. A temporary surge in GDP growth (11%) will result from the startup of oil exports, which are projected to end by 2015. To maintain these levels of growth, the PRSP calls for macroeconomic stability (low inflation, an appropriate real effective exchange rate, sustainable indebtedness, and adequate exchange rate reserves) coupled with the development of the oil, banking and microfinance sectors, will increase the delivery of social services. The report states (p. 74) that:

The government's oil revenue will make it possible to increase services to the poor, in particular in education and health, thereby contributing to the development of human capital. Furthermore, the use of oil revenue to develop infrastructures conducive to increased productivity will stimulate private investment and, in consequence, growth and employment in the non-oil sectors, which will benefit the poor. These factors should contribute to a lasting improvement in the living conditions of the majority of the population.

2. What role does the PRSP envisage for the Private Sector?

The PRSP makes note of the government's intention to "embark on a policy of support for promotion of the private and cooperative sector, backed by consolidation and diversification of activities that generate productive employment." (p. 62)

In the PRSP framework, promotion of the private sector is based on the following principles:

- give more importance to the managerial staff and representatives of the private sector;
- pay all due attention to training and know-how;
- promote dialogue and consensus-building between the private sector and the public sector;
- combine initiatives and coordinate assistance to the private sector in order to strengthen synergies and act consistently;
- strengthen the capacity of the private sector to be in control of its role;
- integrate promotion of the sector in the process of regional and subregional integration and encourage it, and through it the national economy, to compete in an increasingly competitive environment;
- consolidate gains and develop new initiatives; and establish an agile system for coordinating actions and activities with representatives of the private sector. (p. 63)

In order to achieve these goals, the government will do the following:

- boost the capabilities of the Chamber of Commerce, Industry, Agriculture, Mining and Crafts so that it can act as an interface between the government and private sector.
- Set up a guarantee fund, open lines of credit for long-term funds, promote microfinance, economic and tax incentives in connection with training and hiring of young people.

3. Is the Legal, Regulatory and Judicial Framework satisfactory?

The PRSP notes that improvements in the legal and administrative framework for enterprises are essential to poverty reduction.

The regulatory and legal framework, which is still unappealing despite efforts to improve it, will be revised in response to demands for reform expressed by national and foreign investors, especially in order to elicit and support the development of the entrepreneurial spirit called up to diversify the productive apparatus beyond the bounds of the services sector. The focus will be on South-South cooperation to promote business initiatives, while a study on the obstacles facing investors will make it possible to identify and lift the major barriers to private investment. (p. 62)

4. *Is the trade regime being liberalized?*

The plan makes no specific mention of trade policy.

5. *Is the private sector to play a role in infrastructure and social services?*

The plan offers no detail about the private sector's role in service delivery. The Annex does note that the private sector will be involved with a rural telecommunications project and the preparation and implementation of a professional training strategy.

6. *Are there concrete indicators or benchmarks for private sector-related actions?*

The PRSP provides a number of indicators to track performance of various parts of the private sector economy.

7. *How will the PRSP affect the size and role of government?*

The PRSP expects a significant decline in government spending as a share of GDP in 2004, resulting from a massive rise in GDP due to the onset of oil production. For subsequent years, government spending is expected to rise faster than GDP. For 2004-10, general government is projected to rise annually by 10.3%, compared with an annual GDP growth of 9.1% (or 6.5% without oil).

Given the ambition of the government's plans for support to the various sectors of the economy, the PRSP suggests that the role of government will also increase. The government does plan to decentralize and de-concentrate various activities.

In the PRSP framework, decentralization acts as a catalyst for local initiatives and deconcentration aims to make government activities more effective at the grassroots level.... Decentralization policy is expected to make a substantial contribution to civil peace, strengthen the people's direct involvement in efforts to combat poverty on the basis of local initiatives. (p.59)

8. *Were any weaknesses in private-sector orientation highlighted by JSAs?*

Yes. The JSA cautions against assuming that the proposed guarantee fund will improve the financial sector, and recommends that planned studies of the competitiveness of the Chadian private sector be undertaken quickly in order to identify specific improvements in the climate.

DJIBOUTI

Analysis of Private Sector Role in the PRSP

1. What is the general orientation toward economic growth and market forces?

The PRSP sees economic growth as critical for poverty reduction and for employment creation, and blames negative rates of economic growth over the past several decades for Djibouti's high level of poverty. Support for the use of market forces is less evident.

2. What role does the PRSP envisage for the Private Sector?

The private sector is seen as critical to the country's development. In discussing the long-term vision, the report states (p. 43):

Djibouti is a small country with limited natural resources and serious human development problems. It will only be able to achieve its growth and employment objectives by continuously strengthening its competitiveness. Keys to the success of its new policy will be creating an environment that is favorable to the development of the private sector, reduction in costs production (especially for the energy sector), development of human resources, decreasing reliance on the public sector, and improving the output of the administration.

3. Is the Legal, Regulatory and Judicial Framework satisfactory?

The document states a commitment to reform of the LRJ environment, but gives no indication of the current situation. Nevertheless, the document implies that major problems exist, though they are not analyzed. The JSA confirms such problems.

4. Is the trade regime being liberalized?

The trade regime receives almost no discussion, beyond a general expression that Djibouti is a low-tariff country, and – somewhat at variance – a proposal that free-trade zones be established in the country. No WTO, IMF or IBRD document summarizing the trade regime was found that would support or contradict this view.

5. Is the private sector to play a role in infrastructure and social services?

The PRSP envisions a major role for the private sector in infrastructure, but none in social services. In infrastructure, the document proposes privatizing government enterprises, or at least management, of ports, electric power, telecommunications, and a number of other infrastructure elements. As discussed below, the JSA is skeptical of these pronouncements.

6. Are there concrete indicators or benchmarks for private sector-related actions?

There are several commitments to new laws relating to the private sector, and to privatization or private management control of state enterprises. Nevertheless, there are no private-sector related indicators among the 22 quantified objectives of the PRSP. (There are quantified targets for these indicators only for 2006 and 2015, so they are unlikely to be useful for monitoring performance on a regular basis in any event.) The commitments on privatization are generally vague, and not time-bound.

7. How will the PRSP affect the size and role of government?

The projections for consolidated government spending as a share of GDP show a rise from 32.9% in 2002 to 40.8% in 2006. This large expansion in the size of government is accompanied by considerable discussion of the need to empower the private sector, and to reduce the role of government in the economy. However, the realism of the latter emphases should be tempered by the JSA's comments on the PRSP, discussed in the next paragraph.

8. Were any weaknesses in private-sector orientation highlighted by JSAs?

The JSA is unusually frank and unambiguous in identifying weaknesses in the PRSP with respect to the private sector⁴. In discussing potential for rapid growth, the JSA states (p. 5) that "For the private sector to take full advantage of the new opportunities, the authorities should be ready to adopt all necessary measures to significantly reduce Djibouti's relatively high labor and other production costs, put in place a business-friendly environment, and address shortcomings in the legal and regulatory regimes. Later, while saluting the PRSPs call for a key role for private investment, the JSA adds that (p. 7):

...the authorities should consider protecting and enforcing property rights, curbing burdensome administrative and judicial rulings, ensuring an effective and nondiscriminatory regulatory framework, and improving access to affordable and reliable recourse to dispute resolution. All these elements will need to be strengthened in the authorities' development strategy.

The JSA then goes on to state that "The PRSP puts undue emphasis on the role of the public sector in the development process and as a source of job creation," adding that "This approach risks further aggravating the current imbalance between public and private sectors in the Djibouti economy, as testified by the recent establishment of three new publicly-owned enterprises."

⁴ It might be noted that the criticisms of the PRSP echo those of an IMF review of Djibouti completed several months earlier. Thus, they appear to draw significantly from that document, rather than relying heavily, or exclusively, on an analysis of the PRSP itself.

ETHIOPIA

The Private Sector Role in the PRSP

1. What is the general orientation toward economic growth and market forces?

The PRSP identifies economic growth as the principal – but not the only – means to achieve its overarching national goal of poverty reduction. This is to be done through use of free markets. As the report states (p. 36):

The fundamental development objectives of FDRE are to build a free-market economic system in the country which will enable:

- a) The economy develop rapidly,
- b) The country extricate itself from dependence on food aid, and
- c) Poor people to be the main beneficiaries from economic growth.

2. What role does the PRSP envisage for the Private Sector?

The development strategy emphasizes agriculture as the engine of growth, for which the report emphasizes (p. iv):

...the key role that the non-peasant private sector is expected to play in directly taking part in agricultural production, agricultural marketing and processing agricultural products. The government will make every effort to enhance and buttress the contribution private sector (domestic and foreign) will make to agricultural development endeavors. The federal government, in collaboration with regions, will work hard to allocate land for commercial farming, make sure that there are adequate infrastructure facilities, and streamline and make efficient land lease procedures for entrepreneurs who wish to set up large – scale commercial farms. For those who want to rent land from farmers and take part in agricultural activities, the federal government, again in collaboration with the regions, will work out an efficient arrangement, which will safeguard the interests of all parties concerned.

The PRSP also calls for a public-private consultative process to operate to improve understanding and promote partnership between the two sectors. Nevertheless, in both the agricultural sector and elsewhere, the descriptions of planned government activities suggests a very substantial governmental role in leading and directing the private sector.

3. Is the Legal, Regulatory and Judicial Framework satisfactory?

The PRSP gives little attention to this area, except for treatment of land tenure. The Report calls for improvements in the climate for foreign investment, and suggests a few modest legal changes to increase the country's attractiveness. Issues of conflicting government rules, the high degree of government regulation of the economy, and corruption, are not treated. Regarding land, the PRSP calls for liberalization of leasehold access to land by investors, while maintaining the principle of government ownership of all land resources.

4. Is the trade regime being liberalized?

The PRSP states (p. 141) that “the government will continue its efforts to liberalize, simplify, and streamline its trade regime. A reduction by early 2003 in the unweighted average import tariff rate from 19.5% to 17.5% is planned.

5. *Is the private sector to play a role in infrastructure and social services?*

The PRSP calls for a substantial, and time-bound, increase in private sector participation in road maintenance and major road construction. For other infrastructure areas, no specific goals are established. No significant change seems to be contemplated from government ownership or domination of electricity, telecommunications and water.

6. *Are there concrete indicators or benchmarks for private sector-related actions?*

The only area where concrete progress indicators are established is in road construction and maintenance. For the rest, indicators are of a very general nature (e.g., passage of laws), and do not permit clear judgments over time of whether progress is occurring in a timely fashion.

7. *How will the PRSP affect the size and role of government?*

The PRSP foresees a rise in government spending as a share of GDP, from 29.8% in 2000/01 to 32.7% in 2004/5. This is to be the result of a decline in the current government spending ratio, combined with a sharp increase in government investment. The PRSP gives sometimes conflicting views of the role of government, stating a consistent general view that the private sector is to play a larger role, while including much specific language suggesting a continued very high profile for government in economic activity.

8. *Were any weaknesses in private-sector orientation highlighted by JSAs?*

The JSA states (p. 6) that “the PRSP adequately stresses the importance of private sector development,” and sees this as an important step forward by the government. At the same time, the JSA complains (p. 4) that “measures to encourage foreign and domestic private investment and to promote private sector growth are limited and lack specificity.” Accordingly, it calls for the first annual progress report to provide a sector strategy for private sector development.

THE GAMBIA

Private Sector Role in the PRSP

1. What is the general orientation toward economic growth and market forces?

The PRSP sees rapid economic growth as essential for poverty reduction, and the detailed language of the PRSP supports this principle. The Report states (p. 92) that “economic growth is the prime determinant of poverty reduction in the long term.” It calls for the economic growth rate to be raised above 6% per year.

It states that market forces as a key tool for achieving economic growth, stating (p. 61) that government policy will be based on “market-based initiatives that are conducive to private sector activity and poverty alleviation.” Despite such positive general statements, the action plan portion of the document shows no intention of putting this view into practice. Instead, government leadership and direction, and often ownership, is emphasized.

2. What role does the PRSP envisage for the Private Sector?

The PRSP identifies acceleration of private-sector development as one of the four strategic elements of the strategy. It also states (p. 10) that the growth process “will be led by the private sector and supported by government and development partners.” Later (p. 81), it calls for “rationalizing the government’s asset portfolio through privatization and divestiture.”

Nevertheless, the specifics of the report show little commitment to this. Agriculture is the only sector where a commitment to an increased private sector role is articulated. The report calls for the privatization of two groundnut processing plants, and (p. 99) “to continue to move towards” privatization and liberalization of agricultural input distribution and credit.”

3. Is the Legal, Regulatory and Judicial Framework satisfactory?

The PRSP contains no significant discussion of the LRJ framework. The policy matrix on page 82 does identify legislation to reform the legal and regulatory environment for the private sector as an output. But the text of the report contains no discussion of this issue or elaboration of the specific provisions being contemplated for such legislation.

4. Is the trade regime being liberalized?

The PRSP reports that the tariff system has been simplified to three rates, with highest rate lowered to 18%. It also proposes creation of export processing zones, though under the direction of a new parastatal enterprise, the Free Zones Authority, and promotion of tourism, “coordinated and promoted” by another new parastatal, the Gambia Tourism Agency.

5. Is the private sector to play a role in infrastructure and social services?

The PRSP endorses this in principle, The document's policy section (p. 63) calls for increased private sector participation in the delivery of electricity, water, telecommunications and transportation services, but the action program includes nothing that would indicate an actual intent to act in these areas. The action plan section offers no specific proposals for a private sector role in infrastructure. Indeed, it argues for bus transport to remain a public monopoly, and includes only a discussion of activities of a public monopoly for cross-river transportation.

The report envisions private firms as well as NGOs and community organizations as potential implementers of social projects financed by the government's Social Fund.

6. Are there concrete indicators or benchmarks for private sector-related actions?

No. The PRSP offers no specific quantitative or qualitative goals or progress indicators for the private sector.

7. How will the PRSP affect the size and role of government?

The PRSP provides projections of government spending that imply a decline in the ratio of government spending to GDP from an average of 22.8% in 1999-2002 to 20.6% in 2004-2005. The document also projects a significant shift in government spending from current expenditures to investment, with government investment spending rising by 2 percentage points of GDP over the period.

As suggested earlier, the general rhetoric suggests a smaller role for government, but the action part of the document supports expanded government power to control and direct the economy.

8. Were any weaknesses in private-sector orientation highlighted by JSAs?

The JSA failed to address directly the shortcomings identified above in the PRSP with respect to the private sector. The allusions in the JSA to these shortcomings are vague and/or opaque. For example:

While the PRSP has identified the key sectors, namely agriculture, tourism, and re-export trade that will generate much of the growth, there is a need for more in-depth analysis regarding the policy and institutional reforms necessary to accelerate growth in each of these sectors. (p. 6)

PRSP could have benefited from...introducing a stronger justification for export diversification and enhancing external competitiveness.

...agricultural policy, especially in the groundnut subsector,...requires more details on measures to increase incomes through market-driven means, increase food security and promote diversification. (p. 7)

GHANA

The Private Sector Role in the PRSP

1. What is the general orientation toward economic growth and market forces?

The general orientation regarding the roles of the private and public sectors is very clear (p. 34):

Failure to acknowledge the pre-eminent role of the private sector in promoting growth has severely limited economic opportunities. Failure of the public sector to manage the macro economy has contributed to the deplorable failure of past development policies.

The document also gives a central role to market forces in the production and distribution of goods and services, with the government playing the role of assuring that competition is not undercut by monopolistic arrangements.

2. What role does the PRSP envisage for the Private Sector?

The private sector is seen as critical to poverty reduction through creation of productive jobs and a general rise in incomes. The PRSP gives a clear elaboration (pp. 119-121) on the proper roles of the private and public sectors that conforms with orthodox best practice.

3. Is the Legal, Regulatory and Judicial Framework satisfactory?

The paper has a lengthy discussion of this area, identifying weaknesses and making commitments to improvements. The nature of the commitments (e.g., new laws) is too general to make judgments about efficacy possible. The PRSP makes a strong commitment to government transparency and to freedom of information about government activities that should reinforce any improvements in the legal and regulatory environment, and assist in reducing corruption.

4. Is the trade regime being liberalized?

The PRSP calls for maintenance of a liberal trade regime, and for reducing official obstacles to the free flow of international trade. These include improvement in the implementation of the new customs valuation system, assurances of timely reimbursement of duty drawback for exports, and maintenance of a competitive exchange rate. The PRSP also calls for enforcement of regional free-trade agreements to encourage trade with its neighbors. At the same time, the discussion of government revenue needs suggests higher import tariffs.

5. Is the private sector to play a role in infrastructure and social services?

The PRSP is mostly silent on the use of the private sector in provision of infrastructure and social services. On telecommunications and information technology, the PRSP seems to contemplate a larger government role. In electricity, water, road construction and maintenance, the report is either silent or vague. The PRSP does call for privatization of the management of the parastatal agricultural marketing agency.

6. Are there concrete indicators or benchmarks for private sector-related actions?

The PRSP provides only a few concrete indicators relating to the private sector. For the most part, the commitments to improve the regulatory and institutional environment for the private sector are general and non-time-bound. On the other hand, the PRSP does provide a clear schedule for regular reports on progress in implementation of the program.

7. How will the PRSP affect the size and role of government?

In principle, the PRSP contemplates a reduction in the role of government in the economy, through deregulation and privatization of parastatal enterprises. As noted earlier, however, there are few specifics on these matters. Quantitatively, the PRSP programs an increase in the share of GDP represented by government spending, from 26.1% of GDP in 2002 to 26.8% in 2005. However, this is to be accounted for by a sharp rise in government investment, rising from 6.1% of GDP in 2002 to 9.7% in 2005, while current government spending falls significantly.

8. Were any weaknesses in private-sector orientation highlighted by JSAs?

The JSA was clear and specific about the areas where the PRSP might be strengthened by more attention to private-sector issues. These include concrete, time-bound, goals for removing impediments to private sector development (p. 2), more detail on the magnitude of such impediments (p. 7), a specific strategy for involving the private sector in infrastructure investment (p. 7), more specific commitments on divestiture of parastatal enterprises (p. 11), and an end to subsidized government lending to encourage financial sector development (p. 8).

GUINEA

Private Sector Role in the PRSP

1. What is the general orientation toward economic growth and market forces?

The PRSP is forthright that economic growth is critical to poverty reduction, stating (p. 56) that “there can be no significant improvement in people’s incomes without strong and sustainable economic growth.”

It also clearly proposes the use of market forces rather than government direction as the engine for growth and job creation:

Guinea has been engaged in a program of market-oriented economic reforms since 1985. One of the key aspects of this reform is the transfer of responsibility for growth and job creation to the private sector. Thus, the central government is withdrawing from production and marketing activities by means of a vast privatization program. (p.31)

2. What role does the PRSP envisage for the Private Sector?

The PRSP sees the private sector as the engine for economic growth, stating on page 57 that “the private sector will play a decisive role in wealth creation and income distribution. The central government will implement a strong policy to support the private sector in this respect.” On page 28, another clear statement is made in this regard:

Economic reforms call for a gradual withdrawal of the government from productive sectors, macroeconomic and financial consolidation, support for the private sector through improvements in the institutional and regulatory framework for business, continued development of basic infrastructures, and sustained investment in rural sectors.

3. Is the Legal, Regulatory and Judicial Framework satisfactory?

The PRSP concludes that the LRJ framework is generally sound:

Guinea has acquired the full array of legislation and institutions required for the rule of law. However, great efforts still need to be made to ensure that these institutions operate properly and to ensure the right conditions for strong and sustainable economic and social development. Existing shortcomings stem from Guinea’s weak institutional and human capacities, its centralized procedures for managing government business, and the limited public involvement in government management. (p. 97)

Some modest actions are proposed to improve the environment, including government decentralization, increased publication of financial information about government spending, surveys to determine public attitudes about corruption, and training of judges.

4. Is the trade regime being liberalized?

The PRSP states that Guinea intends to deepen regional integration with its ECOWAS neighbors, but does not mention multilateral trade liberalization, or identify specific .

5. *Is the private sector to play a role in infrastructure and social services?*

While the earlier sections on the importance of economic growth and the private sector are clear, the language in the PRSP on the specifics of the private sector role vis-à-vis parastatal enterprises is guarded and vague. For example, the discussion of a private sector role in water and in management of the country's ports emphasizes discussions rather than commitments:

Discussions on a review of the regulatory framework for infrastructures will continue and provide an opportunity for encouraging private investment in water production, treatment, transportation and distribution. These actions should help provide quality services at competitive costs. (p. 67)

Discussions have started on creating the right conditions for more sustained development of Guinea's ports. These discussions are part of a broader process aimed at achieving greater private-sector involvement in developing and managing basic infrastructures. (p. 71)

6. *Are there concrete indicators or benchmarks for private sector-related actions?*

The PRSP provides some quantitative goals for infrastructure relevant to private sector development (e.g., for roads, electricity, and telecommunications), but there are no progress indicators relating to the overall goal of empowering the private sector, or encouraging a private-sector led growth path.

7. *How will the PRSP affect the size and role of government?*

Though espousing a private-sector led growth strategy (as described in sections 1 and 2 above), the body of the PRSP clearly gives the lead to government in most areas of economic activity, and suggests that the role of government in directing the economy will not diminish. Regarding the size of government, the projections suggest a rise in the ratio of government spending to GDP from about 19.2% in 2000-2001 to 22.1% in 2004.

8. *Were any weaknesses in private-sector orientation highlighted by the JSA?*

While the PRSP gives almost no real attention to implementation of the stated commitment to the private sector as an engine for growth, the JSA gives only muted attention to this matter, commenting (p. 6) that "future updates of the strategy could usefully focus on measures for improving the environment for private sector activity and investment, including actions that may be required in the areas of reforming the public enterprise sector and the judicial and regulatory framework."

KENYA

Private Sector Role in the PRSP

1. What is the general orientation toward economic growth and market forces?

The Kenya PRSP identifies economic growth as the main instrument for the improvement of the living conditions and for the reduction of poverty, and considers the use of market forces an essential means for promoting growth.

2. What role does the PRSP envisage for the Private Sector?

The PRSP states that the government intends to redefine the role of the government in the economy, making it (p. 12) “a facilitator for private sector growth and investment. This will entail strengthening policy and regulatory functions of the state and transferring productive and service delivery activities to the private sector.”

3. Is the Legal, Regulatory and Judicial Framework satisfactory?

The strategy recognizes serious deficiencies in the existing LRJ framework, including official corruption, lack of rule of law (the report states on p. 60 that the government is committed to “restoring the rule of law”), and excessive government involvement in the economy. It proposes numerous actions to reform the police and judiciary, reduce corruption, and reform the civil service to improve its delivery of core governmental functions.

4. Is the trade regime being liberalized?

The PRSP notes that the country has substantially liberalized its trade regime since the early 1990s, reducing the number of tariff bands to four, and implementing a maximum tariff rate of 25%. It also states (p. 49) that “the government has also recently embarked on a comprehensive reform of its trade system within the context of the Common Market for Eastern and Southern Africa (COMESA) and the East African Community (EAC).” No further details are offered regarding the nature of this comprehensive reform.

5. Is the private sector to play a role in infrastructure and social services?

The PRSP states (p. 38) that “the government plans to significantly increase private sector participation and investment” in infrastructure, in order to increase the efficiency of the country’s infrastructure investments. It identifies numerous candidates for privatization, including railways, telecommunications, electricity, port management, and road maintenance.

Urban water supply is to be privatized, but no mention is made of a private sector role in delivery of other forms of social services.

6. Are there concrete indicators or benchmarks for private sector-related actions?

The PRSP makes numerous specific commitments regarding the increased role of the private sector. In some cases, such as target dates for new laws (such as one for privatization), they are time-bound. In most cases, however, they are not. Nevertheless, the numerous indicators could be used over time to form reasonable judgments on the adequacy of the progress in implementing the strategy with respect to the private sector.

7. How will the PRSP affect the size and role of government?

The PRSP calls for a shrinkage in the size of government relative to GDP, stating that it intends to use (p. 19) “reducing overall expenditure to GDP as the primary means by which the budget deficit will be brought down to sustainable levels.”

At the same time, the projected government expenditures shown in Table 3.5 show government spending, excluding principal repayments, to rise from an average of 25.1% of GDP during 1999-2002, to an average of 26.5% in 2005-2007.

As to the role of government, the document is unambiguous that the role of government is to shrink, using privatization, government regulation and market forces as vehicles to replace direct government production of goods and services.

8. Were any weaknesses in private-sector orientation highlighted by the JSA?

The JSA lauds the government’s commitment in the PRSP to greater private sector participation in the economy. It also calls for the government to provide greater specificity about its plans for privatizations in its annual progress reports.

MADAGASCAR

Private Sector Role in the PRSP

1. What is the general orientation toward economic growth and market forces?

The PRSP gives a central role for economic growth and market forces. It calls for (p. 51):

“(i) reaching an economic growth rate of 8 percent to 10 percent; (ii) improving the investment rate so as to reach 20 percent; (iii) stimulating the private sector so that it takes part in investment to the tune of 12 percent to 14 percent; (iv) opening up the Malagasy economy to greater competition with a view to reducing costs and improving quality; (v) fostering the population’s will to participate.

More generally, the document sees a consistent, stable relation between economic growth and poverty reduction.

2. What role does the PRSP envisage for the Private Sector?

As indicated in the previous section, the PRSP sees the private sector as critical to the economic growth process in the country through investment and job creation.

3. Is the Legal, Regulatory and Judicial Framework satisfactory?

The PRSP makes “restoring the rule of law and a well-governed society” one of its three strategic intervention focuses. The document states that reform in this area is essential to “allow the private sector to create wealth and jobs” (p. 50).

The PRSP calls for establishment of a high-level anti-corruption commission, reform of the civil service, and numerous specific steps to increase transparency in government.

4. Is the trade regime being liberalized?

The PRSP is unusually forthright on the need for trade liberalization as a means to promote a competitive economy in Madagascar. The document calls for liberalization both with regional partners, through SADC and COMESA, and multilaterally.

5. Is the private sector to play a role in infrastructure and social services?

The PRSP calls for privatization or contracting out of various infrastructure services, including ports, airport management, road construction, railroads and telecommunications.

Private sector participation in social services is not contemplated in the PRSP, except possibly in delivery of water.

6. Are there concrete indicators or benchmarks for private sector-related actions?

The PRSP offers one concrete goal regarding the time necessary to establish a new business, and several other broader goals relating to issues of interest to the private sector. Nevertheless, they are not sufficiently specific or time-bound to provide a basis for judging whether goals have been achieved in this area.

7. How will the PRSP affect the size and role of government?

The text of the PRSP suggests that the country intends a smaller role for government in the economy, leaving greater space for the private sector. The size of government, on the other hand, is expected to rise. Government spending as a share of GDP is projected to rise from 16.7% of GDP in 2000-01 to between 17.7% and 20.2% of GDP in 2004-05. Most of the increased spending is projected to be for investment.

8. Were any weaknesses in private-sector orientation highlighted by the JSA?

The JSA finds the approach regarding the private sector to be generally sound, and makes some constructive suggestions about how to make performance indicators for the private sector more concrete.

MALAWI

The Private Sector Role in the PRSP

1. What is the general orientation toward economic growth and market forces?

The report states (p. 21) that “Economic growth is a precondition for sustainable poverty reduction. Without any general increase in incomes, any redistributive measures will not be sustainable.” This is a succinct statement of the importance of economic growth. At the same time, the PRSP shows a pervasive view of government as the leader in all things, and its priorities as those of all. In the most assertive statement of this, the report states (p. x) that the poverty reduction strategy “is the overarching strategy that will form the basis for all future activities of all stakeholders, including Government.”

Elsewhere, the report recognizes this tendency by stating (p. 1) that “In the past, Malawi’s development objectives have not been met because Government has tried to do too much and as a result has spread itself too thinly and has achieved little.” Nevertheless, the Report is a statement of how Government will address all problems, mainly through better training of its employees, better targeting of subsidies, and better understanding of the needs of the people.

2. What role does the PRSP envisage for the Private Sector?

The paper states at one point that “...the driving force for economic growth will be the private sector.” Despite this general principle, the specific discussions of particular sectors – including agriculture, industry and tourism – all suggest that development will be led by government rather than the private sector. The emphasis is on programs rather than on policies, and on high (and perhaps unrealistic) expectations of what government assistance can achieve. For example, in agriculture, the report states that:

...existing extension workers will be retrained to enhance their knowledge and reorient them to the new extension policy. The training will involve modules on HIV/AIDS, gender, soil fertility and conservation, business management and marketing, and the formation of associations and groups....Government and its partners will facilitate the formation and development of product specific farmer co-operatives and associations. These groups, co-operatives and associations will be the focus of future government interventions in the agricultural sector. (pp. 23-24)

The Report calls for increased private lending for agriculture, while recognizing that repayment rates from the sector mean that this will not happen. It calls for action to help assure repayment, while endorsing new government programs likely to reinforce the belief by farmers that loan repayments are voluntary.

3. Is the Legal, Regulatory and Judicial Framework satisfactory?

The report recognizes corruption and governmental abuse of power as significant, and perhaps growing, problems in Malawi. It offers numerous suggestions and plans for

improvements, though many are largely hortatory. The planned privatization of parastatal enterprises in agriculture, telecommunications, development banking, and air transport is given as one concrete element of the strategy. The plan for the most important parastatal, the agricultural marketing corporation, ADMARC, is not encouraging, as it suggests a long and tortuous road. For agriculture, the report suggests that private banks do not provide credit because of high rates of non-repayment.

4. *Is the trade regime being liberalized?*

The PRSP expresses a preference for increased non-reciprocal access to other markets as a general goal, and for greater consumption of domestically-produced goods. The report states (p. 46) that “Specific measures will be instituted to enforce more transparent preferential treatment of local entrepreneurs.”

5. *Is the private sector to play a role in infrastructure and social services?*

The Report is ambivalent on the private sector role. It explicitly calls for private financing of infrastructure not related to poverty, including construction of roads, electric power grids, and telecommunications by private contracts. Yet it also endorses direct government programs in these areas.

6. *Are there concrete indicators or benchmarks for private sector-related actions?*

The Report does not provide useful benchmarks or progress indicators for private-sector related activities. On a broader scale, the Report expects economic growth during the PRSP period to average 4.2% per year, compared to 2.8% in the triennium preceding its preparation. The Report does not provide compelling reasons for this expected acceleration.

7. *How will the PRSP affect the size and role of government?*

The PRSP does not provide specific enough to offer firm estimates on the ratio of government spending to GDP, but the government spending levels identified in the PRSP show only modest annual increases, suggesting a relatively stable ratio.

8. *Were any weaknesses in private-sector orientation highlighted by JSAs?*

Though the JSA that followed preparation of the PRSP is overly effusive in most ways, it does recognize that “private sector development is considered crucial for achieving the objectives of the PRSP, but the role of the private sector in specific areas is not clearly identified.” The JSA report also lauds the Malawi PRSP for its very broad participatory process of preparation, without recognizing that most of the working groups included no participants from the private sector. This may account in part for the failure to link progress to activities in the private sector.

MALI

The Private Sector Role in the PRSP

1. What is the general orientation toward economic growth and market forces?

The Mali PRSP is designed around three pillars: institutional development and improved governance and participation (pillar 1), development of human resources and access to basic social services (pillar 2) and development of basic infrastructure and productive sectors (pillar 3). Macroeconomic stability is considered a precondition for success in these three areas.

No overall strategy can succeed without a favorable macro-economic framework that promotes growth. This is a necessary (but not sufficient) prerequisite for success in achieving the PRSP objectives...It is from this perspective that the macro-economic framework represents a prerequisite strategic pillar for any poverty reduction strategy in Mali. (p. 36)

The macroeconomic objectives of the PRSP are:

- A rate of growth of 6.7% a year over the period 2002-2006
- An investment rate of 22.6%
- An inflation rate of less than 3%
- A balance of payments deficit of less than 9% of GDP by 2006

2. What role does the PRSP envisage for the Private Sector?

The plan notes that the private sector is the engine growth and poverty reduction. The PRSP lays out a framework for policies that will encourage private sector development.

It will involve taking measures aimed at removing the main constraints facing the sector, and creating the essential conditions for private sector-led growth, namely: a favorable business and economic environment, a well-maintained physical infrastructure, strong entrepreneurial capabilities, institutional development to ensure property rights and a solid and efficient financial system. (p. 72)

3. Is the Legal, Regulatory and Judicial Framework satisfactory?

The plan states (p. 47) that the "democratic process is still fragile due to a weak democratic culture and sense of citizenship, weak public spiritedness and the pursuit of special favors." The PRSP notes the weakness of the judicial system and identifies the strengthening of the pre- and post audit authorities, the encouragement and promotion of investigative journalism, the punishment of those guilty of corruption and annual certification of public expenditures as tools for combating corruption.

4. Is the trade regime being liberalized?

The PRSP states (p. 41) that there is "the need to keep the Malian economy competitive in an environment marked by a strengthening of African integration and by globalization of the world economy." However, the plan does not detail specific policies designed for regional or global integration.

5. Is the private sector to play a role in infrastructure and social services?

The plan discusses private-sector involvement in the transportation and telecommunications sectors. The PRSP states (p.64) that the government will "restructure the state-owned corporations in the transport sector, including the privatization of the Mali-Senegal railway network through a concession contract and liberalize the telecommunications sector by granting at least one cellular telephony license to a private operator and completing the process of privatizing SOTELMA." With regards to social services, the PRSP does not discuss the private sector as a tool for service delivery.

6. Are there concrete indicators or benchmarks for private sector-related actions?

Some indicators for tracking performance are identified, but no targets are established.

7. How will the PRSP affect the size of government?

The ratio of government spending to GDP is projected to remain relatively stable during the timeframe of the PRSP.

As regards public finances, the sustainable improvement in the government financial position will remain an essential component of fiscal policy. The objective is to keep the overall fiscal deficit at a sustainable level while ensuring that the pressing needs of priority sectors are met. Total expenditure and net lending will average 27.7% of GDP between 2002 and 2006. Of this, government investment expenditure will amount to 13.3% of GDP, while current expenditure to 12.3% due to the transfer of funds to the decentralized communities and social sectors as well as to the implementation of the new civil service wage policy. (p. 40)

8. Were any weaknesses in private-sector orientation highlighted by JSAs?

The JSA acknowledges the PRSP's focus on private-sector led growth in addition to its participatory process. The JSA states that "two specific issues that emerged early from the participation process -- insufficient inclusion of civil society concerns, and inadequate focus on the private sector's key role in generating growth and employment -- have been incorporated in the PRSP."

MAURITANIA

The Private Sector Role in the PRSP

1. What is the general orientation toward economic growth and market forces?

The Mauritania PRSP consists of four themes, the first being accelerated economic growth. The growth theme is described as follows (p. 14):

This theme will help reduce poverty in two ways: (i) through direct and indirect means (i.e., spillover effects on the creation of new jobs and incomes); and (ii) through the impact on Government budget revenues, which can in their turn be utilized to support sectors that directly benefit the poor. Due to the specialization of the Mauritanian economy, which is concentrated on sectors with few spillover effects, it is probable that the second effect will be more significant in the short term.

Per capita GDP is projected to increase more than 3% annually and by 13% over the period 2001-2004. Private consumption as a percentage of GDP is also expected to increase from 68% in 2000 to 77% in 2004.

2. What role does the PRSP envisage for the Private Sector?

The PRSP defines the private sector as the center of economic development. The State has committed itself to supporting the development of the private sector. On page 18, the PRSP states:

The Government's objective is to promote the development of a dynamic private sector and to make the country more competitive and attractive to private foreign investment. Despite significant obstacles linked to: (i) the oligopolistic organization of markets (which drives out small enterprises, for example); (ii) the small size of the domestic market and weak effective demand; (iii) the inappropriate nature of current financial intermediation; (iv) the deficiencies of the judicial system; and (v) a cumbersome and complicated tax system, genuine prospects exist for private sector development. State divestiture and the liberalization of the productive and main infrastructure sectors are offering a considerable range of opportunities to the private sector.

3. Is the Legal, Regulatory and Judicial Framework satisfactory?

The PRSP has identified the need for reforms in the areas of governance and the judicial system. On page 41, the PRSP states:

Aware of how much is at stake, the Government has made good governance its top priority. The declaration of good governance adopted by the Government in 1999 revolves around five main themes: (i) consolidation of the rule of law, (ii) strengthening of civil service capabilities, (iii) support for decentralization, (iv) effective management of public resources, and (v) involvement of the poor and strengthening of civil society capabilities, particularly those of NGOs.

With regards to judicial reform, the plan identifies the need to increase the accessibility of the judicial system to the public through decentralization. The PRSP also identifies the elimination of court costs and the creation of a system of legal aid for the poor. (p. 41)

4. Is the trade regime being liberalized?

The primary emphasis in the PRSP with regards to trade liberalization is the need for export diversification. The PRSP points to substantial liberalization of import trade in recent years, but gives no indication of further movement on this, or analysis of the import regime. The PRSP identifies the vulnerability associated with a dependence on a few primary products. The plan describes a study that will target increasing Mauritania's competitiveness.

Moreover, a general study will be done of the competitiveness of the Mauritanian economy in 2001 in order to: (i) prepare a list of export opportunities available to the country and evaluate its strengths and weaknesses in the context of a globalized economy and (ii) propose a program of action to strengthen the competitiveness of the economy and to make it more attractive to foreign direct investment. (p. 21)

5. Is the private sector to play a role in infrastructure and social services?

The PRSP identifies the need for the private sector's involvement in infrastructure. The role ascribed by the plan is to aid in the establishment, management, and maintenance of basic infrastructure (telecommunications, electricity, roads, and airports). In social services, it calls for private sector involvement in urban water systems and for support for strengthening of private, as well as public, education.

6. Are there concrete indicators or benchmarks for private sector-related actions?

The PRSP outlines the objectives and priority actions for private sector development. The objectives are (i) create an environment favorable to private sector development and (ii) improve the economy's attractiveness to foreign investment. The PRSP identifies numerous specific actions to address the problems identified in these areas.

7. How will the PRSP affect the size and scope of government?

The PRSP projects a very slight increase in the ratio of government spending to GDP over the PRSP period, from 27.3% in 2001 to 27.5% in 2004. Operating expenses are to decline as a share of GDP, with investment rising. The PRSP strategy implies an overall reduction in the role of government in the economy.

8. Were any weaknesses in private-sector orientation highlighted by JSAs?

The JSA agrees with the emphasis placed on private sector led growth. The JSA states (p. 4) that "the staffs agree with the overall strategy and with the emphasis placed on the role of the private sector in its implementation." The JSA does complain that the PRSP does not discuss exchange rate policy, the need to enhance competitiveness, or the need to eliminate discretionary tax exemptions.

MOZAMBIQUE

The Private Sector Role in the PRSP

1. What is the general orientation toward economic growth and market forces?

The PRSP is very clear that market forces and economic growth are the critical factors in poverty reduction, as articulated on pp. 2-3:

For a poor country such as Mozambique, rapid growth is an essential and powerful tool for poverty reduction in the medium and long-term. Without growth, the objective of increasing the capacities and expanding the opportunities for the poor will continue to be severely constrained by the lack of public and private resources. Therefore, the strategy contains policies aimed at creating a favourable climate for stimulating investment and productivity, and achieving an average annual GDP growth rate of 8%.

2. What role does the PRSP envisage for the Private Sector?

The private sector is expected to create productive jobs, through creation by government of appropriate policies. As the report states (p. 3), “A pro-poor growth strategy also requires a policy climate which stimulates the private sector to accelerate job creation and increase income generating opportunities through self-employment.”

3. Is the Legal, Regulatory and Judicial Framework satisfactory?

The PRSP notes that, according to an outside report, the business sector in Mozambique regards the legal, regulatory and judicial system as “non-operational, that it suffers from delays in the resolution of commercial disputes; it fails to enforce decisions that may be taken in commercial disputes; suffers from a legal code that is less than clear and susceptible to multiple interpretations, and which takes up a great deal of the time of company managers.”

The PRSP makes only general statements of how these problems will be addressed. For example, the principal measure to be undertaken to reduce “red tape” for the private sector by government agencies is the following (p. 74): “transform and strengthen bodies responsible for licensing and inspection of economic activities at the central, provincial and local levels (including review of legislation, recruitment of new staff, and retraining of existing personnel.” It is difficult to evaluate the importance of such statements.

4. Is the trade regime being liberalized?

The PRSP calls for reducing the maximum import tariff rate to 25% by 2002, and for implementation of the Southern Africa free trade area. It also calls for maintaining a competitive exchange rate for the country’s currency. According to the PRSP, this will require a depreciation of the *metical*.

5. Is the private sector to play a role in infrastructure and social services?

The PRSP considers a variety of ways in which the private sector can contribute to poverty reduction. For roads, the PRSP suggests examining concessions and tolls. For energy and water, the PRSP calls for promoting private sector participation. And for telecommunications, the PRSP calls for privatization of the main provider, and for opening the sector to other competitors. Coastal shipping is also to be opened to competition.

6. Are there concrete indicators or benchmarks for private sector-related actions?

The concrete indicators for private sector development relate only to the agricultural sector. There are no indicators for the private sector more broadly, or for implementation of actions to improve the business environment. However, the PRSP calls for regular public reporting, including quarterly reports, of progress in implementation of the overall program.

7. How will the PRSP affect the size and role of government?

Quantitatively, the PRSP projects government spending to rise as a share of GDP from 22.9% in 1999 to 27.1% in 2005, before declining to 25% in 2010. The rise is expected to be financed by donor grants or by external funding of mega-projects. In terms of government control over the economy, the PRSP projects a declining role for government, with markets and the private sector substituting for regulation and state-owned enterprises.

8. Were any weaknesses in private-sector orientation highlighted by JSAs?

The JSA generally endorses the approach taken by the government, but it does identify three areas relating to the private sector where additional action is suggested. These are the overall business environment for both domestic and foreign investment, uncertainties over land rights, and corruption. Regarding the latter, the JSA notes that the PRSP is the first widely-disseminated government document to identify the problem as serious, and to suggest – though without much concreteness – future directions to remedy the problem.

NIGER

The Private Sector Role in the PRSP

1. What is the general orientation toward economic growth and market forces?

The PRSP identifies Niger's past attempts at poverty reduction and how they have fallen short of expectations. Therefore, through consultations with various stakeholders the government has identified macro-economic growth as a pillar for poverty reduction. GDP is projected to grow at a rate of 4% from 2001-2005. This would result in a projected 1.2% annual increase in per-capita income. The government intends to:

pursue its policy of macroeconomic and fiscal stabilization, and continue to implement the privatization program, to reorganize the financial sector in order for growth to be financed, to improve infrastructure (roads, telecommunications, air transport, electricity, water, etc.), to simplify the regulatory framework, to improve the legal and judicial system and to assess the achievements of the financial sector reform program. (p.59)

2. What role does the PRSP envisage for the Private Sector?

The private sector is defined as the key to economic growth and poverty alleviation. The plan identifies the private sector, handicraft and tourism as being crucial to job creation and income creation. The government intends to play a limited role in economic activities and allow the private sector to play a more active role. The PRSP concludes, however, that (p. 70) the private sector “is not yet dynamic enough to take over. To remedy this situation, the government has set up a private sector development program, the objective of which is to have the private sector play a key role in economic growth and poverty alleviation.” The PRSP elaborates (p. 79):

The program strategies will concentrate on the following actions: (i) creating an incentive institutional and legal environment; (ii) improving the organizational autonomy of the private sector; (iii) supporting the creation and development of private enterprises; (iv) developing human resources and improving managerial and technological capacities; (v) developing local resources; (vi) promoting and developing regional integration opportunities; (vii) consolidating the banking and financial industry; (viii) accelerating the privatization process of public corporations; (ix) laying the foundations for developing pleasure tourism and eco-tourism; putting Niger on the consumer market using the expertise of private tourism operators; (x) promoting handicraft through the demand and supply of user sectors; promoting craft products among the population of Niger.

Unfortunately, the rest of the PRSP provides no addition specificity on these issues.

3. Is the Legal, Regulatory and Judicial Framework satisfactory?

The PRSP identifies the need for major changes with regards to good governance and human and institutional capacity building. The plan describes a number of areas where such issues are to be addressed. Almost no specificity is provided regarding such plans.

4. *Is the trade regime being liberalized?*

The PRSP identifies in general terms the need for market liberalization and regional integration (WAEMU and ECOWAS). The plan fails to provide details about these initiatives and does not discuss membership in the WTO or multilateral trade liberalization.

5. *Is the private sector to play a role in infrastructure and social services?*

The PRSP makes a general statement that private sector participation in infrastructure is desired. Nevertheless, the PRSP neither mentions specific sectors where this might happen, nor indicates any plans to carry this out. In the social sectors, the PRSP states an intention (p. 80) to “leverage the resource of the education sector (parents, communities, territorial communities, NGOs, private sector, etc.)” and in water and sanitation to implement a “gradual transfer of responsibilities and government structures to local communities and the private sector. The document provides no further elaboration on approaches or implementation plans to achieve these goals in either education or water and sanitation.

6. *Are there concrete indicators or benchmarks for private sector-related actions?*

The PRSP proposes establishment of a Poverty Reduction Information System (SIRP) to monitor the impact of the poverty reduction strategy. In order to monitor the levels of progress, the SIRP will create a set of baseline data. The indicators for the SIRP will be in the areas of monetary poverty, living standards, and socioeconomic opportunities. No specific indicators are outlined, nor are there any specific targets or progress indicators for actions affecting the private sector.

7. *How will the PRSP affect the size of government?*

In order to support the PRSP, government expenditures are expected to rise from 16.7% of GDP in 2001 to 17.8% in 2005, according to the base case presented. If growth reaches the high projection, the growth in the Government spending/GDP ratio would be slight, while it would be larger in the slow-growth case. Regarding the role of government, general statements suggest a smaller role, while more specific plans for government leadership suggest a larger one.

8. *Were any weaknesses in private-sector orientation highlighted by JSAs?*

The JSA agrees that the promotion of private-sector led growth is appropriate to poverty reduction, and argues that sectoral and cross-sectoral synergies are crucial to the success of this plan. Nevertheless, the JSA fails to address the almost complete lack of specific content or commitments regarding improvement in the scope or environment for private-sector activity.

RWANDA

The Private Sector Role in the PRSP

1. What is the general orientation toward economic growth and market forces?

The PRSP sees economic growth as central to poverty reduction. It calls for use of market forces except in areas where government intervention can be justified on public-good grounds. As the PRSP states (p. 33),

“...the Government has to be selective in the roles it takes on and imaginative in identifying cost-effective ways of carrying out its functions....The state will focus on interventions in areas where there are strong reasons to intervene for the public good: where markets fail and where outcomes would be highly unequal if left to the market. It will not intervene in areas where equitable and efficient outcomes can be expected from private sector activity, in the absence of intervention.

2. What role does the PRSP envisage for the Private Sector?

The report is very clear that the private sector has a central role in poverty reduction. It states (p. 33) that:

The role of the private sector in poverty reduction is central; this includes the formal private sector as well as the informal sector, including small-scale agriculture. Our strategy therefore includes a major emphasis on private sector development as well as identifying possible roles for the private sector within activities where the state has a leading role. It is increasingly understood that this approach will work best if the private sector is fully involved in the formulation of policy.

3. Is the Legal, Regulatory and Judicial Framework satisfactory?

The PRSP notes numerous problems in this area, particularly in relation to land rights, which it identifies as an issue with a long history of conflict in Rwanda. The PRSP proposes a new land policy and land law. In other areas, the PRSP calls for reform of the civil service system, for greater transparency in government, and for greater oversight by the parliament of the executive branch. Some specificity is given for each of the proposed areas of action.

4. Is the trade regime being liberalized?

The PRSP identifies mixed actions in this area. Several steps have been taken on the export side to liberalize trade. The export tax on coffee has been eliminated, tea prices adjusted to be close to world market prices, and the exchange system has been liberalized through weekly foreign exchange auctions and legalization of foreign-currency deposits (p. 74). On the import side, the tariff system is being aligned with that of its COMESA partners, with free trade within the region and external tariffs set at rates of 0, 5%, 15% and 30%, largely based on degree of elaboration. This creates strong incentives for both import substitution and trade diversion among the COMESA members.

5. Is the private sector to play a role in infrastructure and social services?

The PRSP calls for an increased role for the private sector in some infrastructure sectors, including transportation and telecommunications. Competition among suppliers is to be encouraged. For energy and urban water, the parastatal enterprise is to be placed under private management by 2006.

6. Are there concrete indicators or benchmarks for private sector-related actions?

The PRSP includes ten indicators that are to be tracked to monitor performance of the private-sector related activities. As might be expected, the majority relate to agricultural production. The PRSP calls for frequent dissemination of the latest reports on the progress indicators.

7. How will the PRSP affect the size and role of government?

In principle, the PRSP contemplates a reduction in the role of government in the economy, through deregulation and privatization of parastatal enterprises. Quantitatively, government spending as a share of GDP is projected to decline steadily during the PRSP period.

8. Were any weaknesses in private-sector orientation highlighted by JSAs?

The JSA generally endorsed the PRSP and its commitment to a leading role for the private sector. Nevertheless, it did identify two weaknesses in the PRSP. First, it questioned the PRSP proposals in the financial area, including a guarantee fund for agricultural credit and subsidies for credit unions and microfinance institutions. Second, it opposed the idea of creating an Agricultural Development Corporation “to guide agricultural marketing,” which was suggested as a possibility being considered by the government.

On the other hand, the JSA lauded the PRSP (p. 7) for its recognition of “the importance of regional cooperation/integration,” and encouraged to do further analysis of how to achieve such integration. No hint is given that this might be a dubious enterprise.

SENEGAL

The Private Sector Role in the PRSP

1. What is the general orientation toward economic growth and market forces?

The Senegal PRSP is clear that "robust and better distributed growth" is essential to poverty reduction. The report states (p. 25):

The macroeconomic strategy aimed at creating wealth will focus on promotion of the productive sectors and private investment through the creation of an economic and social environment favorable to the development of private enterprise. It will essentially be driven, on the one hand, by exports of goods and services with a high added-value potential and for which there is a growing demand and, on the other hand, by high investment rates.

2. What role does the PRSP envisage for the Private Sector?

The Plan makes the point clear that the private sector is crucial to poverty reduction. The PRSP describes numerous actions that are seen as necessary to improve or direct the environment for private sector development, including:

- intensify the internal adjustment of enterprises
- make the employer' and professional organizations more representative, stronger and more oriented toward the enterprises needs
- revitalize the chambers of commerce and trade
- Simplify and rationalize the system of tax incentives for investments
- simplify the procedures connected with certain activities pertaining to company formation in the context of the legislative mechanism
- improve enterprises' access to credit

Overall, the PRSP considers that the government should play a key role in directing the private sector, because of its weak capacity. On page 38, the PRSP states:

The weak capacities of the great majority of developing country enterprises, aggravated by the market's shortcomings, explains the need for the State to put a coherent and efficient support mechanism in place for the private sector.

3. Is the Legal, Regulatory and Judicial Framework satisfactory?

The PRSP identifies corruption (awarding of public contracts or use of public funds) and human rights abuses as hindrances to economic and social development. In a recent survey, 94.5% of households believe (p. 47) that "if the government can overcome the country's rampant corruption, it will succeed in significantly improving the population's living conditions."

The PRSP describes the following actions as being necessary for modernizing the administration with the ultimate goal of ending corruption:

- respect for the principles set out in WAEMU's Code of Transparency concerning the reliability of public finance data;

- the timely provision of information on appropriations and payment laws and TOFEs [Government Financial Operations Table];
- improved management of public finances, which requires more effective and efficient public expenditures, continued transformation of the tax system, particularly through an enlargement of the tax base and an increase in the proportion of resources derived from income taxes, and a corresponding decrease in the proportion of resources derived from taxes on consumer goods;
- a strengthening of the justice system, which will be a central concern.

4. *Is the trade regime being liberalized?*

The PRSP states that the country has been steadily lowering tariff barriers and eliminating non-tariff barriers to better participate in a globalized economy. It adds (p. 37) that "the promotion of exports, particularly nontraditional exports, will contribute to economic growth, a viable balance of payments and an economy less vulnerable to fluctuations in the prices of primary products."

5. *Is the private sector to play a role in infrastructure and social services?*

The PRSP calls for privatization of water, electricity, telecommunications and transport, under the regulatory framework developed by government. But such private sector operation is limited by government intervention such as the proposal (p. 45) that transport workers be given employment security by being granted "an official and standardized status. In education (p. 42) and health (p. 44), the PRSP calls for support for private-sector activity, but without giving any operational content to the general statements.

6. *Are there concrete indicators or benchmarks for private sector-related actions?*

There are no specific benchmarks for progress in achieving private-sector related goals of the PRSP. Matters like privatization, action on corruption and improvements in the investment climate are stated in general terms, but no specific actions or timelines for completion are included.

7. *How will the PRSP affect the size of government?*

In the favored scenario, the ratio of government spending to GDP is projected to rise from 21.2% in 2002 to 23% in 2005. The scope for government direction of the economy would also expand in a variety of ways.

8. *Were any weaknesses in private-sector orientation highlighted by JSAs?*

The JSA mentions that the background information on economic growth is informative for the "discussion on strategies to increase private sector growth that will help the poor," and it complains of lack of discussion of the privatization of the government's groundnut company. But the JSA does not address the larger question of establishment of an appropriate climate for the operation of market forces, or for the private sector to set its own directions.

TANZANIA

The Private Sector Role in the PRSP

1. What is the general orientation toward economic growth and market forces?

The PRSP makes economic growth a key objective of the poverty strategy. Its first strategic objective (p. 14) is to “continue to maintain sound macroeconomic policies and intensify the implementation of reforms aimed at bolstering market efficiency, particularly in agriculture, and raising factor productivity.”

2. What role does the PRSP envisage for the Private Sector?

The private sector is seen as the key actor in reducing income poverty. For growth in the key rural sector growth, the private sector is expected to be the provider of credit, supplier of inputs and purchaser and marketer of products, with the public sector offering research, extension, infrastructure, and encouragement of agro-processing. Foreign investment is also to be encouraged as an additional source of productive investment.

3. Is the Legal, Regulatory and Judicial Framework satisfactory?

The PRSP identifies the slowness of the judicial system as a serious problem. It also cites (p. 9) a report that identifies the police and judiciary as “highly corrupt institutions.” The PRSP identifies various actions to address the problems. It establishes concrete targets for filling vacant magistrate positions and for speeding up judicial decisions. It also commits to acceleration of implementation of anti-corruption legislation. Land laws are to be changed to facilitate the use of land as collateral.

4. Is the trade regime being liberalized?

The PRSP says little about the international trade regime, other than making a commitment to promote exports.

5. Is the private sector to play a role in infrastructure and social services?

The PRSP gives no attention to this issue, though it does suggest the need for more national investment, and expects some of this to come from the private sector, including foreign investors.

6. Are there concrete indicators or benchmarks for private sector-related actions?

The PRSP identifies broad, general indicators (GDP growth, agricultural value added, production of key crops) as indicators, but no quantitative targets or benchmarks are offered.

7. How will the PRSP affect the size and role of government?

The PRSP calls for a limitation on the role of government, with the private sector playing a larger role in economic activity. However, it contemplates an increase in government spending from 15.5% of GDP in the previous four years to 17-18% in the plan period.

8. Were any weaknesses in private-sector orientation highlighted by JSAs?

The JSA encourages a more accelerated reduction in Tanzania's import tariffs. On broad private-sector issues, the JSA limits itself to suggesting that the PRSP might have contained more detailed description of the extensive actions that the government had already taken to foster economic growth.

UGANDA

The Private Sector Role in the PRSP

1. What is the general orientation toward economic growth and market forces?

The Uganda PRSP is very clear on general principles that economic growth is central to poverty reduction. The report provides an admirable statement of the connection between poverty reduction and national development. It argues that, under Uganda's Poverty Eradication Action Plan,

Uganda is being transformed into a modern economy in which people in all sectors can participate in economic growth. This implies a number of conditions:

- The economy requires structural transformation, including the modernization of agriculture, the development of which build on demand and supply linkages from agriculture, and continued institutional development in the legal and financial sectors.
- Poor people must be able to participate in this growth, both by expanding smallholder agriculture and by increasing employment in industry and services.
- Economic growth must be sustainable, high-quality and broadly based.
- The non-material aspects of poverty must be addressed; participatory studies have shown that insecurity, illness, isolation, and disempowerment are as important to the poor as low incomes.

Macroeconomic policy will be accompanied by a deepening of structural reforms in key areas including the banking and financial system, public utilities and the transport infrastructure, which are aimed at removing key constraints to private sector growth, and reforms to improve the efficiency and quality of public services (p. 18). The projected rates of economic growth – though high at 7% per year – do conform to those of the several years prior to the finalization of the PRSP.

2. What role does the PRSP envisage for the private sector?

At the level of general principle, the Report is clear that the private sector is important for poverty reduction and national growth. It identifies several areas, including infrastructure, and rule of law, where the government intends to support increased productivity by the private sector. The Report states (p. 14) that:

Finally, in order to promote economic transformation, the constraints on private sector competitiveness need to be removed. Surveys of business people in Uganda have shown that they face severe constraints on their operations. Infrastructure is a major constraint; firms' experience of power cuts significantly reduces their investment, and the development of internal markets is impeded by the limitations of the road network. Hence the sector-wide transport strategy and the ongoing process of utility reform are key. Another constraint is the difficulty that business people experience in enforcing contracts; this will be addressed by the programme of commercial justice reform which the government is beginning. The weakness of the financial sector is also a serious constraint. Reform of these sectors is essential for the development of the private sector. This is a poverty issue, because the expansion of formal employment is a central part of the strategy.

No specific benchmarks are identified for measuring private sector performance

3. *Is the Legal Regulatory and Judicial Framework satisfactory?*

The PRSP identifies the lack of adequate legal protection and the rule of law as a serious impediment to poverty reduction. It mentions a survey finding that 40% of users of public services had to pay bribes, and that mechanisms for holding such service providers accountable were lacking. The PRSP identifies the creation of a Ministry of Ethics, the introduction of reforms to reduce the misuse of government funds, the improvements in security in conflict areas, and decentralization of responsibility for oversight as tools for improvement. Specific actions are proposed for improving security of land titles.

4. *Is the trade regime being liberalized?*

The report makes no specific mention of trade policy.

5. *Is the private sector to play a role in infrastructure and social services?*

The paper discusses the need for increased infrastructure in rural roads, electricity, water, and communications. The text includes no discussion of the role of the private sector in provision of such services, though the accompanying matrix suggests use of “smart subsidies” to be used conjunction with private provision of electricity, in order to extend services to the poor. For social services, the use of NGOs is mentioned as a desirable vehicle for service delivery where cost-effective, but no mention is made of use of the private sector.

6. *Are there concrete indicators or benchmarks for private-sector-related actions?*

The PRSP contains little in the way of concrete indicators for the private sector, but the second annual progress report on implementation of the PRSP includes much discussion and analysis of progress relating to the private sector.

7. *How will the PRSP affect the size and role of Government?*

The PRSP proposes an increase in government spending from 18.4% of GDP in the previous three years, to 21% of GDP during the next three. About two-thirds of the increased government share is to be investment spending. However, the increased government spending is projected to be more than fully financed by donors or other foreign sources, and is not expected to crowd out the private sector in the domestic financial market.

8. *Were any weaknesses in private-sector orientation highlighted by JSAs?*

The two JSAs do not include any language suggesting further actions to promote private sector development as a tool for poverty reduction.

ZAMBIA

The Private Sector Role in the PRSP

1. What is the general orientation toward economic growth and market forces?

The PRSP sees economic growth as central to poverty reduction, and calls for a strategy of export-based, private-sector-led, growth. The report states (p. 12):

Little can be achieved to reduce poverty unless measures are taken to revive Zambia's economy. Accordingly, Zambia's PRSP focuses on measures to achieve strong sustained economic growth. A growing economy that creates jobs and tax revenues for the state is a sustainable powerful tool for reducing poverty.

2. What role does the PRSP envisage for the Private Sector?

The PRSP places the private sector at the center of the process of growth in production and employment, as the critical features of poverty reduction. Privatization, simplification of government regulations, and promotion of labor-intensive exports are main features of the program.

3. Is the Legal, Regulatory and Judicial Framework satisfactory?

The PRSP finds the legal system to be generally fair, but characterized by long delays due to inadequacy of courtrooms and judges, and a slowness by the legislature in updating the legal regime to keep pace with requirements. Land is a major area where reforms in the legal regime are needed, as 94% of the land in the country is not titled, and is subject to traditional tenure systems. Legislation is proposed to simplify land transfer and to provide tenure security. Commercial property rights also need to be brought into line with international practice, to provide more security for domestic and international investors.

4. Is the trade regime being liberalized?

The PRSP identifies exports as critical to employment growth, and identifies actions to be undertaken to promote exports. On the import side, the PRSP expresses support for regional trade liberalization under SADC and COMESA, but also emphasizes the need to press major trading partners, notably South Africa and Zimbabwe, to liberalize their regimes and to eliminate exchange controls in order to offer a level playing field.

5. Is the private sector to play a role in infrastructure and social services?

The PRSP calls for privatization or concessioning of major infrastructure operations, including the Zambian railway system, the oil refinery, the oil pipeline and storage facilities, and for continued reliance on the private sector for air transport and telecommunications.

6. Are there concrete indicators or benchmarks for private sector-related actions?

The PRSP establishes a series of sectoral indicators to be tracked during implementation of the PRSP. No specific performance targets for annual performance are established, but the PRSP does call for the private sector and civil society to participate in the monitoring of progress.

7. How will the PRSP affect the size and role of government?

In principle, the PRSP contemplates a reduction in the role of government in the economy, through deregulation and privatization of parastatal enterprises. The PRSP also foresees a decline in the ratio of government spending to GDP, from 32.2% in 2001 to 30.0% in 2004.

8. Were any weaknesses in private-sector orientation highlighted by JSAs?

The PRSP generally seeks a strong private-sector role in poverty reduction, and the JSA endorses the approach. But the JSA chides the document for excessive generality and a lack of specifics on this, stating (p. 6) that “the PRSP would benefit from increased attention to the role of the private sector, further specifying the main components of the business environment and investment regime to promote private investment. These could include improvements in governance, the stability of the banking sector, and the regulation of public utilities.” The JSA also notes a lack of clarity in the PRSP on the contemplated role of the public sector in agriculture, particularly in input and credit markets.

Annex 3: Annual Progress Reports for African Countries.

BURKINA FASO

Analysis of Private-Sector Issues In the PRSP Annual Progress Report (APR)

1. Does the Progress Report demonstrate fulfillment of commitments made in the PRSP that affect the private sector?

The APR shows a serious commitment to fulfill the commitments made relating to the private sector. In the PRSP, those commitments were general and vague. However, it is clear that this APR – the third since the drafting of the PRSP – reflects substantial progress in making and fulfilling more concrete commitments with respect to the private sector, as the next section indicates.

2. Are any notable changes in the treatment of the private sector in the country's strategy evident from Annual Progress Report?

The APR identifies numerous specific actions that provide a much stronger program of support for private-sector-led growth than did the PRSP. These actions include trade liberalization, creation of a “one-stop” center for establishment of new businesses, a new policy letter on private sector development, establishment of a competitiveness council, and continued progress on privatization, with six parastatal enterprises sold or closed, in addition to the 38 previously removed sold or liquidated.

3. Are concrete benchmarks being used to measure progress on private-sector concerns?

Yes, there are numerous concrete progress indicators that relate directly to the competitiveness of the private sector. The state of progress on privatization is clearly reported. The number of steps required to establish a business is tracked, as are indicators of costs for electricity, water and telecommunications. The text of the report (p. 20) states that telecommunications tariffs have fallen substantially, making them competitive with the region – with international calling tariffs cut by half over two years. However, the quantitative data in Annex 8 are inconsistent with this claim – and show a much more modest decline in international telecommunications prices.

4. Are there indications of private-sector involvement in the implementation and monitoring of the PRSP?

Although the APR is not explicit in this regard, the general thrust of the discussion (pp. 87-88) suggests that there is active collaboration of the government, the private sector, and other civil society participants in the monitoring of implementation of the PRSP.

ETHIOPIA

Analysis of Private-Sector Issues In the PRSP Annual Progress Report (APR)

1. Does the Progress Report demonstrate fulfillment of commitments made in the PRSP that affect the private sector?

The major commitment in the PRSP regarding the private sector was the establishment of a public-private consultative mechanism to improve understanding and promote partnership between the two sectors. The APR reports that this committee has been established, and that three quarterly meetings have taken place. Regarding results, the APR states cryptically (p. 88): “Problems identified in the first meetings if not properly addressed by the government will be raised again and this can identify areas of success or failure.”

2. Are any notable changes in the treatment of the private sector in the country’s strategy evident from Annual Progress Report?

Ethiopia was a country where the analysis of the PRSP concluded that inadequate attention had been given to the private sector, and that the PRSP strategy emphasized government control and direction in preference to use of market forces.

Significant progress from that state-led approach is evident in the APR. The APR speaks more specifically of private-sector involvement in electric and telecommunications infrastructure, an issue ignored in the PRSP. Numerous other statements evidence greater openness to market forces, including Ethiopia’s application for membership in the WTO.

3. Are concrete benchmarks being used to measure progress on private-sector concerns?

The APR introduces a number of progress measures relating to private-sector concerns, such as the cost and time for establishing a new business, increased private sector participation in banks and credit. The APR notes that the cost of international telephony has fallen from about \$2 per minute to \$1.25, and that internet access cost is down from 56 cents per minute to 15 cents—evidence of progress, and of the need for far more.

4. Are there indications of private-sector involvement in the implementation and monitoring of the PRSP?

The APR indicates the existence of numerous public-private committees and forums for the implementation of the PRSP. Private-sector involvement in monitoring is not evident. In this area, the APR describes a proposed system for monitoring and evaluation that is likely to be too complex and visionary to be feasible of implementation.

GHANA

Analysis of Private-Sector Issues In the PRSP Annual Progress Report (APR)

1. Does the Progress Report fulfill commitments made in the PRSP about the private sector?

The APR reaffirms the role of the private sector as central to poverty reduction because of its importance in sustainable economic growth. The specific commitments regarding the private sector included greater transparency in the legal system, improvement in customs and duty-drawback processing, and promotion of a competitive environment for business by preventing monopolistic arrangements. The APR reports some improvements in these areas, such as reduction in time for port clearance, improvements in the transparency of government operations and efforts to reduce corruption, but there is no systematic treatment of commitments from the PRSP.

2. Are any notable changes in the treatment of the private sector evident in the Annual Progress Report?

No. As indicated above, the private sector still plays a central role in the Ghanaian strategy for poverty reduction.

3. Are concrete benchmarks being used to measure progress on private-sector concerns?

The APR mentions a number of indicators of progress, but does not include any for which targets are established, or for which progress is to be measured on a regular basis.

4. Are there indications of private-sector involvement in the implementation of the PRSP?

The APR does not include a discussion of private sector involvement in implementation of the PRS, or in the preparation of the APR. The JSA, however, makes the comment (p. 9) that “civil society and parliament were neither involved in the preparation of the APR, nor is their role during implementation spelled out.” The APR does suggest that civil society organizations will participate in future implementation of the PRS, but without any elaboration of the manner in which this is to occur.

GUINEA

Analysis of Private-Sector Issues In the PRSP Annual Progress Report (APR)

1. Does the Progress Report fulfill commitments made in the PRSP about the private sector?

As the commitments about policy toward the private sector were vague, fulfillment cannot be judged. More broadly, the PRSP did commit the government to lower fiscal deficits and control of inflation as part of its growth-promoting macroeconomic strategy. Both increased substantially, while GDP growth declined. The JSA states that the report “downplays the disruptive role of inappropriate economic policies and sluggishness in the implementation of needed structural reforms” in producing this unfavorable outcome. The JSA also states that the PRSP and APR include “insufficient analysis of the factors that would promote economic growth” (p. 4), and that the government needs to propose concrete actions to promote the sectors driving economic growth.

2. Are any notable changes in the treatment of the private sector evident in the Annual Progress Report?

The APR reports considerable progress in privatization or closure of government parastatal entities, identifying numerous entities whose divestiture has been completed. The PRSP discussed privatization only in very general terms, and did not establish targets.

3. Are concrete benchmarks being used to measure progress on private-sector concerns?

The APR does report on the specific quantitative benchmarks on infrastructure (roads, electricity, and telecommunications) made in the PRSP.

4. Are there indications of private-sector involvement in the implementation of the PRSP?

The APR speaks of a number of vehicles for private-sector and civil-society involvement in implementation of the PRSP. These include sectoral thematic groups, a “permanent framework” for consensus building, and a monitoring and evaluation thematic group. No information is provided on the membership or frequency of meeting of such groups.

MALAWI

Analysis of Private-Sector Issues In the PRSP Annual Progress Report (APR)

1. Does the Progress Report fulfill commitments made in the PRSP about the private sector?

The PRSP makes no serious commitments regarding the private sector, and instead focuses almost entirely on government programs as the means to address poverty. The APR continues in this tradition, giving virtually no attention to policy or private-sector-related issues, and concentrates on a discussion of government spending .

2. Are any notable changes in the treatment of the private sector evident in the Annual Progress Report?

The private sector receives almost no attention in the APR, a modest step backward from the slight attention it received in the PRSP.

3. Are concrete benchmarks being used to measure progress on private-sector concerns?

No concrete benchmarks or progress indicators are used to measure progress on issues of interest to the private sector. The Malawi JSA does note some limited progress on matters relating to the private sector, such as failed efforts to privatize major parastatals, and draft laws on corruption and land, these receive no attention in the APR.

4. Are there indications of private-sector involvement in the implementation of the PRSP?

There was little private-sector involvement in preparation of the PRSP. Although the APR does not provide a significant discussion of participation in implementation of the PRSP or preparation of the APR, the JSA comments (p. 8) that “the progress report involved only a few government officials and, to a limited extent, some donors and civil society members.”

MALI

Analysis of Private-Sector Issues In the PRSP Annual Progress Report (APR)

5. Does the Progress Report demonstrate fulfillment of commitments made in the PRSP that affect the private sector?

The PRSP expresses a commitment to private-sector-led growth, and commits the government to sound macro policies, improvement in the business climate, improvement in the legal and regulatory environment, and progress toward privatization of economic infrastructure.

Some progress is identified in each of these areas. Macroeconomic management has been good, with inflation held below the PRSP target of 3%, the fiscal deficit has been kept lower than projected, some actions to improve the business climate have been undertaken, and considerable progress has been made on privatization of telecommunications, the railroad, and the cotton sector.

6. Are any notable changes in the treatment of the private sector in the country's strategy evident from Annual Progress Report?

The APR reaffirms the important role of the private sector in poverty reduction identified in the PRSP. Nevertheless, there is less discussion of government actions aimed at improvement in the environment for business in the APR than might have been expected from the PRSP.

7. Are concrete benchmarks being used to measure progress on private-sector concerns?

The APR includes a number of indicators for infrastructure expansion and agricultural production. While not ideal indicators for progress on major issues of importance to the private sector, they do have the advantage of being quantified, and linked to government action.

8. Are there indications of private-sector involvement in the implementation and monitoring of the PRSP?

The JSA report states (p. 1) that the APR “was prepared through the same broad participatory approach adopted for the PRSP itself.” It drew upon 13 thematic working groups, each with broad participation.

MAURITANIA

Analysis of Private-Sector Issues In the PRSP Annual Progress Report (APR)

1. Does the Progress Report fulfill commitments made in the PRSP about the private sector?

The principal commitments in the PRSP were to promote the competitiveness of the Mauritanian private sector, and to include the private sector in the improvement of the country's economic and social infrastructure. The APR reports numerous actions in this respect, including simplification and reduction of business taxes, reforms to the commercial code and drafting of proposed changes in the labor code, and establishment of a public-private consultation committee. It also reported that textbooks were distributed free to all schools, whether public or private. On the other hand, the APR reports that efforts to privatize the electricity parastatal had failed.

2. Are any notable changes in the treatment of the private sector evident in the Annual Progress Report?

The APR reaffirms the commitment to private sector-led growth, stating that implementation of the PRSP had concentrated on, *inter alia*, “implementing measures aimed at accelerating growth driven by the private sector” (p. 2).

At the same time, the APR concludes that private sector activity has been limited by weaknesses in the financial sector, and identifies (p. vii) “the need to improve financial intermediation to unleash the private sector as the driving force behind economic growth” as a major lesson from the first two years of implementation of the PRSP.

3. Are concrete benchmarks being used to measure progress on private-sector concerns?

The indicators relating to the private sector in the PRSP are of a general nature, such as the growth rate of total and agricultural GDP, and do not provide a basis for tracking progress on private-sector related issues or for public-private dialogue.

4. Are there indications of private-sector involvement in the implementation of the PRSP?

The APR reports that “all stakeholders,” including the private sector, are fully involved in the PRS process through technical groups and workshops, and that there was wide involvement in preparation of the APR.

MOZAMBIQUE

Analysis of Private-Sector Issues In the PRSP Annual Progress Report (APR)

1. Does the Progress Report demonstrate fulfillment of commitments made in the PRSP that affect the private sector?

Yes, the APR shows progress in the areas where commitments were made that affect the private sector. The government has withdrawn from most direct involvement in the agricultural sector. Privatization of port management was completed, and progress was reported toward privatization of the rail system. In the legal, regulatory, and judicial sphere, the report notes numerous actions taken to implement commitments to improvement. It is not possible to judge the magnitude of the changes from the qualitative indicators in the text. The APR also reports that a corruption perceptions survey is underway, with results to be reported in 2004.

2. Are any notable changes in the treatment of the private sector in the country's strategy evident from Annual Progress Report?

No. The APR continues to show strong support for a private-sector-oriented economic growth strategy.

3. Are concrete benchmarks being used to measure progress on private-sector concerns?

Yes. The APR uses concrete benchmarks for the agricultural sector, and a variety of commitments in other areas. The APR is unusually detailed in its provision of quantitative information on trends in economic and social variables.

4. Are there indications of private-sector involvement in the implementation and monitoring of the PRSP?

The APR provides considerable evidence of private sector participation in the implementation of the APR. On monitoring, the APR reports that the government established a "Poverty Observatory" in 2003 to provide a vehicle for both domestic and international partners of the government to participate in the monitoring of progress. This forum is to include business, labor, NGOs, other civil society participants and international donors. The first use of the forum as a monitoring tool is to occur in 2004, with the presentation of a progress report by government for discussion in the forum.

NIGER
Analysis of Private-Sector Issues
In the PRSP Annual Progress Report (APR)

1. Does the Progress Report demonstrate fulfillment of commitments made in the PRSP that affect the private sector?

The PRSP provided very little in commitments regarding the private sector. Some general statements about privatization were made in the PRSP, with no specific time commitments. The APR states that efforts to privatize the electric power and petroleum companies have been delayed.

2. Are any notable changes in the treatment of the private sector in the country's strategy evident from Annual Progress Report?

In the PRSP, Niger gave a significant role to the private sector, though with an emphasis that government leadership was needed to make this happen. The APR continues this ambiguity, stating (p. 26) that “promotion of the private sector has a central position in the strategy,” but goes on to suggest that government needs to control how this happens:

Public intervention is therefore justified to create conditions that will motivate businesses to invest, through measures aimed at the promotion of a more stable and transparent economic environment as well as higher yields for products. The SDR therefore seeks to improve pricing policies, choice of public investments, legislative framework and ensure respect for rules (good governance).

3. Are concrete benchmarks being used to measure progress on private-sector concerns?

The PRSP offered no concrete indicators for the private sector, nor does the APR. The APR does state that a task force to address indicators in general has been created, and has produced an initial document.

4. Are there indications of private-sector involvement in the implementation and monitoring of the PRSP?

The APR states (p. 7) that the government has “set up a permanent process for dialogue and negotiation with its social partners,” but no further specifics are offered. The APR also notes the results of an evident lack of dialogue in the past:

The improved performance in 2002 due to the recover of economic activities and the restoration of public finances generated protests from various social partners. These demands were essentially embodied in (i) the rejection by the business community of the new tax measures in the 2002 Budget Law related to tax installments on the industrial and commercial profits of re-export operation; (ii) numerous strikes instigated by the unions in the private sector to obtain a reduction in income taxes; (iii) a mutiny by some elements of the armed forces in August 2002; and (iv) strikes initiated by a number of workers unions to force wage increases.

RWANDA

Analysis of Private-Sector Issues In the PRSP Annual Progress Report (APR)

1. Does the Progress Report demonstrate fulfillment of commitments made in the PRSP that affect the private sector?

The PRSP made a general commitment to an increased private sector role in economic activity. The APR identifies significant progress toward this goal. Some 37 of 77 public companies have been sold, two tea plantations and the telecommunications company will be privatized in 2003, and a contract for private management of the national electric and water company has been signed. In agriculture, the fertilizer market has been liberalized.

On the other hand, the PRSP made a commitment to a new land law, which has not yet been implemented.

2. Are any notable changes in the treatment of the private sector in the country's strategy evident from Annual Progress Report?

No. The APR suggests that the country strategy continues to give substantial importance to the role of the private sector as a vehicle for economic growth.

3. Are concrete benchmarks being used to measure progress on private-sector concerns?

The quantitative indicators relating to the private sector in the APR relate mainly to agricultural production. Given the importance of weather for such indicators, they do not provide a particularly useful guide to progress on private sector issues. On the other hand, the APR does make numerous commitments to specific actions (e.g., the privatizations mentioned earlier) in areas of interest to the private sector.

4. Are there indications of private-sector involvement in the implementation and monitoring of the PRSP?

The APR states (p. 36) that a “‘partnership forum’ for public-private partnership has been put in place as the appropriate framework for mutual consultation and increased private sector representation has been realized through participation in various policy-formulation working groups.” No further elaboration of the importance of this group is given.

TANZANIA

Analysis of Private-Sector Issues In the PRSP Annual Progress Report (APR)

1. Does the Progress Report demonstrate fulfillment of commitments made in the PRSP that affect the private sector?

The APR notes various actions to fulfill commitments regarding the private sector. Greater reliance is being placed on the private sector in agriculture, new policies on land and labor have been drafted, nuisance taxes at the local level have been repealed, progress on privatization has continued, with two-thirds of all public enterprises transferred to the private sector by mid-2002.

2. Are any notable changes in the treatment of the private sector in the country's strategy evident from Annual Progress Report?

No. The APR continues the emphasis in the PRSP of an important role for the private sector and for market forces in generating economic growth.

3. Are concrete benchmarks being used to measure progress on private-sector concerns?

The PRSP gave only very general progress indicators for the private sector, such as GDP growth, agricultural sector value added. The APR shows no further improvement in this area.

4. Are there indications of private-sector involvement in the implementation and monitoring of the PRSP?

The APR makes reference to a program, the Business Environment Strengthening in Tanzania (BEST). This is to be (p. 16) "geared to provide a better policy, administrative, legal and judicial environment for private sector development." This appears to be a vehicle for monitoring implementation, but no further specificity on its role is included in the report.

The APR reports that the government has established a formal consultation mechanism, the Tanzania National Business Council, to increase private sector involvement in the national development strategy.

UGANDA

Analysis of Private-Sector Issues In the PRSP Annual Progress Report (APR)

1. Does the Progress Report fulfill commitments made in the PRSP about the private sector?

The APR reaffirms the general commitment in the PRSP to private-sector-led economic growth. The PRSP made only very general commitments to improve the climate for private sector development, including improvements in electricity delivery, road infrastructure, and the financial sector. The APR reports progress in each of these areas in very general terms.

2. Are any notable changes in the treatment of the private sector evident in the Annual Progress Report?

While the PRSP made no mention of a private sector role in electricity or telecommunications, the APR reports great success in improved and extended service from full privatization of telecommunications and the partial privatization of electricity distribution.

3. Are concrete benchmarks being used to measure progress on private-sector concerns?

No such indicators are included in the APR. The APR makes reference to efforts to streamline the regulatory burden on business and to reform of the commercial courts, but no further elaboration or quantitative indicators are included in the Report.

4. Are there indications of private-sector involvement in the implementation of the PRSP?

The APR reports that there was wide participation by stakeholders in the progress reviews leading up to the preparation of the APR, and that the draft APR was circulated among stakeholders for comment. No further elaboration is provided regarding the role that the private sector may have played in the implementation of the PRS.

ZAMBIA

Analysis of Private-Sector Issues In the PRSP Annual Progress Report (APR)

1. Does the Progress Report demonstrate fulfillment of commitments made in the PRSP that affect the private sector?

The main features of the PRSP for the private sector were privatization, simplification of government regulation, and promotion of labor-intensive exports. In the first area, the APR reports that one major commitment, the concessioning of Zambian Railways, has been completed, and that a study of private participation in the TANZARA railroad is expected to begin in 2004. Little is said – none of it very specific – about simplification of regulations. Numerous actions to promote exports, including the creation of an export processing zone and support for non-traditional agricultural exports, are identified in the APR.

2. Are any notable changes in the treatment of the private sector in the country's strategy evident from Annual Progress Report?

The APR re-affirms the commitment to promotion of private-sector-led economic growth, stating (p. 1) that the PRSP strategy “correctly recognizes that little can be achieved to reduce poverty unless measures are taken to revive Zambia's economy.”

3. Are concrete benchmarks being used to measure progress on private-sector concerns?

The PRSP had established a series of sectoral indicators for progress, but had not provided annual performance targets. The APR confesses (p. 58) that baseline data for most of the indicators is lacking, and that a concerted effort is needed to begin to establish a monitoring and evaluation capacity for the PRS. The government intends to make an effort in this regard in 2004.

4. Are there indications of private-sector involvement in the implementation and monitoring of the PRSP?

The government has set up 12 sectoral advisory groups, including representatives of the private sector and other civil society organizations, to assist the government in implementation of the PRS, as well as with monitoring and evaluation. No additional information on the importance or value of these advisory groups is detailed in the APR.